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LOUISIANA ECONOMIC DEVELOPMENT
POLICY COMMITTEE MEETING

The above-entitled meeting was held March 9, 2022.

Transcribed by:

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A P P E A R A N C E S

BOARD MEMBERS PRESENT

Cal Simpson, Chair

Charles Jackson

Norisha Glover

AJ Roy, III (in attendance)

BOARD MEMBERS ABSENT

Louis Reine

Stephen David

STAFF MEMBERS IN ATTENDANCE

Shamelda Pete

Marissa Doin

Susan Bigner

Stephanie LeGrange

Brenda Guess

Kelly Raney

Robin Porter

Deborah Simmons

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**MS. SIMMONS:**

LEDC Policy Committee meeting, March 9th. It begins at one o'clock p.m.

**MR. SIMPSON:**

Welcome to the Economic Development Corporation Policy Rules meeting. I'm Cal Simpson presiding. And if we would have a roll call.

**MS. SIMMONS:**

Good afternoon. Louis Reine. Cal Simpson.

**MR. SIMPSON:**

Here.

**MS. SIMMONS:**

Charles Jackson.

**MR. JACKSON:**

Here.

**MS. SIMMONS:**

Norisha Glover.

**MS. GLOVER:**

Here.

**MS. SIMMONS:**

Stephen David. We have a quorum.

**MR. SIMPSON:**

Thank you. We will now move into the SSBCI Debt Programs. Who --

**UNKNOWN SPEAKER:**

(Inaudible.)

**MS. RANEY:**

What I'll probably do is as I (inaudible). So, what we've decided here to do is start off -- pick up where we left off in the Micro Loan Program. That was the program where we ended our discussion last month. (Inaudible) in that program. Shamelda is going to give us a brief summary of the, the program's purpose and intent before we dive right back into the rules where we left off on page 6. Okay?

**MR. SIMPSON:**

Okay.

**MS. GUESS:**

And before, before we do that, you'll notice that our court reporter is absent today. They weren't able to accommodate us because of their schedule. Deborah is recording the meeting on her recorder. She's writing a note that says, "Speak --

**MS. SIMMONS:**

Louder.

**MS. GUESS:**

-- louder." Okay. So, we just have --

**MS. SIMMONS:**

And state your name.

**MS. GUESS:**

And state your name. So, she's gonna be -- any motions that come out of here, you know, we just want to make sure that she's able to, to capture it on the, the digital recorder. It's, it's, it's recording.

**MS. SIMMONS:**

Yes, ma'am.

**MS. GUESS:**

It picks up very well. Okay. So, we just have to make sure -- some of us don't have a problem talking loud.

**MR. SIMPSON:**

Okay. All right.

**MS. GUESS:**

But some of us do, so we just want

to make sure that we get everything that's recorded. Starting with that, Shamelda, if you want to go ahead.

**MS. PETE:**

Hi. I'm Shamelda Pete. I'm presenting the Micro Lending Problem. The Micro Lending Program is an existing LEDC program that has been revised to cater to the smaller financing needs of businesses in Louisiana. In polling stakeholders across Louisiana and researching SSBCI best practices to work with underserved community, communities, in order to carry out the mission of the American Rescue Plan Act's SSBCI Program, the proposed revisions to the Micro Program will provide access to credit to entrepreneurs in underserved communities across Louisiana and will allow CDFIs and other qualified lenders to evaluate and structure SSBCI eligible loans to meet the needs of very small business owners.

The Micro Lending Program is a loan participation program structured as a revolving loan fund where the program participants, or selected lenders, will directly link to the borrower with loan proceeds used to either help with working capital needs or equipment and inventory acquisition for either start-up or expansion projects.

CDFIs and other qualified lenders will undergo an RFQ evaluation process with the LEDC Board making final approval on all program participants under the Micro Program. Multiple lenders will be selected for participation in the Micro Program, with each executing a Loan Participation Agreement detailing all of the program requirements; to include, but not limited to, required Treasury assurance/certifications, reporting, compliance, SSBCI use of funds provisions, reallocation provisions, buyback provisions, and program, program parameters and performance expectations for the use of the Revolving Loan Fund.

The participating lenders will

perform the loan analysis drawing from the Revolving Loan Fund to make SSBCI eligible loans up to $100,000. The participation threshold for lenders under the program is up to 50 percent with a maximum participation by LEDC at $50,000. Upon loan repayment, the participating lender will retain the interest portion as compensation for servicing the loan with the principal recycling back into the revolving loan fund to make available for SSBCI eligible loans throughout the term of the SSBCI Program.

And with that, I'll turn it over to Kelly to begin the review of the program rules.

**MS. GLOVER:**

Before we begin the review, just one last (inaudible). This says up to 50 percent by the lender. This is where y'all had the chart the last time, was 50 percent, under 50 percent?

**MS. PETE:**

Yes, ma'am.

**MS. GLOVER:**

Okay. Just double-checking. And I pointed, but that's for the record, yes.

**MS. RANEY:**

Kelly Raney speaking and Nakisha Melba (phonetic). With respect to the Micro Loan rules you have in front of you that were e-mailed in preparation for today's meeting, I'd like to point out a couple of things. Number one, I -- you heard the comments that would be helpful to know what was required of Treasury. So, that has been indicated with a double blue asterisk. So, anywhere throughout the rules, whether it's for this program or the next program we'll get to, when you see a blue double asterisk next to that provisions, that's actually language directly from Treasury that we are required to abide by. And so, you'll see that quite a bit throughout these rules and the next set of program rules also.

Secondarily, it might have been

mentioned or heard, Shamelda mentioned, excuse me, that the maximum loan amount under the Micro Loan Program is, is $100,000. So, we also heard that in our last board meeting and had to make that increase as well. So, the rules have been updated to reflect that.

So, picking up where we left off with Micro Loan rules, it's -- the rules, I think it's page 7 of your packet because the agenda is the first page, but specifically this is the, the (inaudible) Section 7505, but it is, like I said, mostly likely your page 7 where it start with the letter F in the left-hand column. These are all of the, you can see, Treasury required prohibition assurances. And so, we actually had just finished getting to the bottom of page 6. We were looking at the second column at little F here.

This actually is, is where we left off, and it's specific to the agency prohibition and making sure that there loan ap -- program applicants are --

does not have any criminal violations, other than misdemeanor traffic violations. And I know that was something that we discussed in our board meeting last time as well.

**MS. GLOVER:**

I -- this is Norisha. I don't remember an assessment, but I know it was probably towards the end. So, are we saying for F, am I -- if I am the person who maybe I was in jail for marijuana and I finally got out. I'm trying to get on the right track. I've started my own business, but I don't, I don't know what it is, but because of a prior conviction I am not able to access this funding?

**MS. RANEY:**

If you -- the way that this provision has been drafted is if you have been reinstated into society after that experience --

**MS. GLOVER:**

Okay.

**MS. RANEY:**

-- then you would be eligible. And again, going back to part of the Treasury guidance requires the borrower be an SSBCI eligible borrower, an SSBCI eligible business type with an SSBCI eligible business purpose. So, all of those have to align in order to be eligible for the program with this extra requirement.

**MR. JACKSON:**

So, so notwithstanding that last sentence of it, nor should they accept any applications if the borrower has a criminal record, other than misdemeanor traffic violations?

**MS. RANEY:**

If they have not been reinstated into society.

**MR. SIMPSON:**

Reinstated into --

**MR. JACKSON:**

Okay. Okay. That's, that's really the operative --

**MS. RANEY:**

(Inaudible.)

**MR. JACKSON:**

Okay. All right. Okay.

**MS. RANEY:**

All right. And, and the last, the very last item, which actually trickles over to the next page, is also Treasury required and that is also prohibition of any of those convicted of, of a sex offense, to include the sex offense of a minor as well.

Moving over to the next section, 7505 for the Micro Loan Rules, this gets into the lender must provide all of the application requirements to LEDC for their review, which will include all of the assurances required at Treasury, which they're listed. They're after G. Number, number 1 if it's -- this is a CAP Program, but Treasury does require this prohibition for CAP programs.

Number two, the refinancing of a loan previously made to the borrower by the lender or an affiliate. And, again, no principal of the lender has been convicted of a sex offense against a minor. The fourth, the (inaudible) shall not knowingly accept. Now, this is actually the same. So, this language is required of the lender and the borrower here where we have the prohibition of accepting an application from anyone who has been convicted of a felony, outside of a minor traffic violation, who has not been reinstated into society.

And then we move on to number five, column number two, where we talk about the eligible borrower structures. For-profit organization are eligible, but they require business purpose, LLCs, LLPs, joint ventures, cooperatives, etcetera.

**MS. GLOVER:**

If I'm a non-profit, I'm not eligible for this program?

**MS. RANEY:**

If you have a, a business purpose that is meets SSBCI requirements and you're a non-profit, then you would be eligible.

**MS. GLOVER:**

(Inaudible)

**MS. RANEY:**

All right. That actually brings us over to the next section of eligibility and ineligible, ineligible provisions under this program. Moving over to Section 7507, this backs up to the overall program's intent. And these are smaller dollar amounts, and these are for our small businesses, really refining that small business definition from the original 500 we've seen in Guarantee, reducing that down to 100 employees or less. And an eligible business purpose, which Treasury does define for us, can be first startup, working capital, expansion, franchise, equipment inventory, construction. Those are all eligible business purposes.

The definition of eligible business purpose does exclude activities related to acquiring wholly (inaudible) investment, such as commercial real estate, etcetera. Now, that, that is also a part of our Guarantee language as well. And so, what you'll notice is some of these provisions may start sounding familiar because they're required in all of our programs. So, your heard them Major Capital, in there. You heard in the beginning Guarantee in February, and you're going to hear it again today two times over, here in Micro and again in Collateral Support.

**MR. JACKSON:**

Excuse me just a minute.

**MS. RANEY:**

That's all right.

**MR. JACKSON:**

So, are we still in the Micro Lending?

**MS. RANEY:**

Yes, sir.

**MR. JACKSON:**

To the $100,000? What -- how does that interact with the $500,000 in part A?

**MS. RANEY:**

So, the $500,000 is the total aggregate exposure that one borrower can have under SSBCI, if they had subsequent loans after having repaid another one.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

Treasury actually does limit a lot of exposure to $20 million. However, thinking about a micro size portfolio that we are going to work with selected lenders so they can originate that portfolio, that's a much smaller subset. So, you can see with the maximum even a $100,000 loan over a ten-year period, it's, it's highly unlikely somebody will have had $20 million worth of Micro Loans over that ten-year period with a maximum dollar amount being $100,000 and having repaid each of those loans.

**MR. JACKSON:**

So, the total amount they can participate in life of program is $500,000?

**MS. RANEY:**

Under the Micro Program, that's correct.

**MR. JACKSON:**

Okay. Up to $100,000 at a time?

**MS. GUESS:**

Yes.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

Good question. Any other questions on 7507 for the, the page at hand? We just reviewed A and B. Moving on, though, through C, we do ask that there be a job creation or retention component for the Micro Program also. And, again, just at the bottom it reiterates 100 employees or, or less to be eligible under this Micro Program, and then again reiterates the eligible business structures for the Micro borrowers.

**MR. JACKSON:**

So, this, this is not to a specific point, but it goes back to the, the concept of it as a Micro Program. And we've defined "Micro" at this point as being as little as $1,000, in which we put up $500, or as much as $100,000 where we put up 50. From an administrative perspective, I mean, is, is that realistic? Are we ever likely to run into --

**MS. GUESS:**

The answer I think is, is yes, because what we're -- we're targeting the CDFIs and other approved lenders out there, economic development organizations. And those that we have talked to, the, the, the maximum amount of the loans that they're seeing, they are micro loans. They're small.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

From the beginning, they have small pools of money that they're going to be dealing with, so they won't be giving someone, you know, a, a loan larger than $100,000. And based on that, the information that we've gathered, that's what we're looking at.

**MR. JACKSON:**

Okay. I mean, that --

**MS. GUESS:**

That's with them.

**MR. JACKSON:**

-- that's what I would hope would be the case.

**MS. GUESS:**

Yes.

**MR. JACKSON:**

I, I understand the concept of micro loans and -- in developing countries and everything.

**MS. GUESS:**

Right.

**MR. JACKSON:**

But, I mean, just the administrative burden that kind of goes with some of that, we, we really believe we'll be successful in --

**MS. GUESS:**

I think we will.

**MR. JACKSON:**

-- in focusing on those?

**MS. GUESS:**

And one of the high points that we might be able that -- to see that the Micro Loan lenders can get from gains from this is they'll be able to retain the interest as the loans are paid back by the borrowers. So, that's somewhat of an incentive for them. I -- and it keeps the, the money flowing. And I'm not sure how they go about securing additional funds for their particular organization, but it's -- I think they may get money from EDA or from other organizations or from other lenders, so they will still be building up their coffers for additional lending.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

This will help with the, the person -- I think we even saw a loan not too -- well, not -- in the recent past of someone that wanted to start a lawn service, and so, they weren't looking for that much money.

**MR. JACKSON:**

Right.

**MS. GUESS:**

So -- but it's something that a bank won't touch. So, the CDFIs and the other EVO lenders are the ones that will probably see more of these.

**MR. JACKSON:**

Okay.

**MS. PETE:**

And to piggyback on what Ms. Brenda said, the average Micro Loan is $13,000.

**MR. JACKSON:**

Right. I remember we talked about that.

**MS. PETE:**

And the average SBA-backed loan is $59,000. So, up to $100,000 we'll still fill in a market need for as little as the small, very small business, which is less than 10 employees, all the way up.

**MR. JACKSON:**

Okay. All right. And, and the paperwork burden for those smaller loans?

**MS. RANEY:**

It's just as much as a large.

**MR. JACKSON:**

I, I know. That's, that's what concerns me a little bit.

**MS. GUESS:**

Well, with the CDFIs, that's what they do.You know, they see the smaller loans. So, we -- the incentive to, to work with this is the, the interest, unless there is something else that would be on the table for them to be more successful. If they expend the dollars that they are given after -- which will be determined by, I guess their track record of what they have done in the past, will determine maybe what they will get of this round.

**MR. JACKSON:**

So, so we looked at best practices in structuring this, kind of grafted it onto our existing program. Do you have any sense in those best practice states as to what their -- I mean, is their paperwork burden that, that much for little ones?

**MS. PETE:**

Actually, no. We looked at the majority of Pennsylvania and Oregon, and typically these loans are (inaudible). So, once they provide the information to us, they have done the analysis and staffing people and the compliance, which -- and then the remaining piece would be a compliance of the, the entire loan plan. So, we're managing the amount of loans under each revolving loan plan, but typically will be based on an enrollment of that loan. And after review of any point in time that loan doesn't match the requirements, that's when the buy-back provision would come into play where those loans would be taken out of the loan totals.

And also keep in mind each individual CDFI or lending organization will have to sign a Master Lender Participation Agreement, and that will be the cornerstone, or the terms engagement if you will, for that entire revolving loan fund.

But none of those, to go back to your question, none of them had a structure where it would be overly burdensome, which is why they do tend to partner with CDFIs who have that structure in place to meet those compliance and reporting requirements.

**MR. JACKSON:**

So, so, are, are they less burdensome or, or --

**MS. PETE:**

Less.

**MR. JACKSON:**

-- same level of burden?

**MS. PETE:**

Less burdensome.  Like I said, that structure they use to review those loans kind of decreases that paper volume. We'll still be looking at it, but the analysis piece will be at the very top for compliance purposes.  But Georgia was very successful in doing so to the turn that they were one of the most successful.

**MR. JACKSON:**

So, so, so we're adopting that or --

**MS. PEPTE:**

Yes.

**MR. JACKSON:**

-- we are --

Yes, sir.

**MS. PEPTE:**

We have taken a look at both Georgia and Pennsylvania and made more of a hybrid to meet the needs of the department and our market.

**MR. JACKSON:**

Okay.

**MS. PETE:**

And those states received a much larger allocation in 1.0 and were very successful in doing it.  But we did have the opportunity to meet directly with Georgia's (inaudible), and they were able to share a lot of information with us.

**MR. JACKSON:**

Okay.  Because I, I certainly don't want us to, to lose the loan money or diminish the pool.

**MS. PETE:**

Yes.

**MR. JACKSON:**

But, again, the whole issue with the Micro Loans is these are not super sophisticated, but they need it. And, and, you know, we, we may -- I mean, by definition, they're going to be riskier loans.

**MS. GUESS:**

Absolutely.

**MR. JACKSON:**

But, but we're being given this money for riskier loans.

**MS. GUESS:**

That's correct.

**MS. GLOVER:**

But I, I would also argue, I wouldn't say that, that they're all not as sophisticated just based -- I mean, like I have a client who I visited yesterday who I think would be -- who could be eligible for this because she's just building out a bakery. She's gone through the financing, you know, with the finance process before. This is just a pool of fund that, that would be helpful for her. It, it would just be helpful for her, I think.

And then the second this is, is that I appreciate the administrative burden, but I imagine that the burden falls on both sides, right? So, there is the burden of the banker doing it, but you also have to wonder for who we might deem, like unsophisticated, in this process when they get into it, they might also say this is too much paperwork for $1,000 and rule themselves out.

**MR. JACKSON:**

Right. Right. I mean, that's, that's really my point.

**MS. GLOVER:**

Right.

**MR. JACKSON:**

The, the, the amount of administrative burden really to the extent possible needs to be proportional to the amount of capital you're putting at risks is really my point. It was not meant as a slur to call them unsophisticated.

**MS. GLOVER:**

Right.

**MR. JACKSON:**

But, I mean, they're -- for many of them it may be their first journey into the financial lending system, so they may not have a clue the kinds of things they even need to be looking at for managing their business. And there are plenty of tools to help them, but they may not have gotten to that point yet.

**MS. PETE:**

Great point, Mr. Jackson, but SSBCI 2.0 - they can elaborate more - but there's a big focus on technical assistance to provide those business owners with skills not only for financing, but other skills they would need to sustain their business. So, that's also gonna be a big focus on SSBCI 2.0.

And on the administrative burden piece you mentioned, we will have systems in place to put those CDFIs by lenders to manage all that information. And keep in mind, the CDFIs are a mission-driven organization targeting those kind of markets who traditionally don't have access to this capital.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

And I think what would be key is as we evaluate the interested participants for this program through the RFQ process, some of the information they are required to provide will speak to their experience in doing this very type of work, the type of businesses that they've been successful in catering to, what markets would they be in and their geographies. So, all of that, I think, will be taken into account of the overall if that evaluation or recommendation to the board is made for the, for the final approval of those selected candidates process will happen with Venture Capital, too, through the RFQ.

**MR. JACKSON:**

I mean, I'm, I'm, I'm very mindful of that statistic you gave us last month about the, the average loan being $13,000. And we've expanded way up on the top end and that, that comes with added flexibility. I, I recognize that. But it, it would seem to me that for us to be successful with the program the way it's laid out, we really want to focus on those loans that are $13,000 or, or, or lower. And it takes a lot of them to make up that amount of money.

**UNKNOWN SPEAKER:**

Are you concerned, Charles, that the CDFI would gravitate towards the $100,000 client and, and less away from --

**MR. JACKSON:**

I don't know. I don't know, but I know that you could take care of ten $13,000 loans or you could take care of one $100,000 loan, and the maintenance and monitoring burden and all of those sorts of things, you know, would argue from that side it's easier to take care of one.

**MS. GUESS:**

Than the ten.

**MR. JACKSON:**

And, and that's my concern.  I mean, I, I'm -- they call it Micro Lending for a reason.  And that may or may not be the business we need to be in, but, but we're administering it and it's a good program.  And, and we don't want to lose our focus on, on those businesses if, if they're out there.

**MS. GUESS:**

Right.

**MR. JACKSON:**

And if the CDFIs see them, then we want to make it as, as accessible as possible for those folks while still being prudent, that's, that's all.

**MR. SIMPSON:**

Good points.  I want to interject, too, if we would, try to, try to say our names. Cal Simpson.

**MS. GUESS:**

Yes.

**MR. SIMPSON:**

When you, when you bring up a question or topic for recording purposes. Thank you. Kelly.

**MS. RANEY:**

Yes, sir. Kelly Raney. Looking back at the Micro Loan rules, so we have -- I believe it went to page 10 there in the packet. So, Section Number 7507, yes, Small Emerging Businesses and Socioeconomic (inaudible) businesses will be just a self-serve (inaudible) paperwork to apply under those categories for the Micro Loan Program. We also have reduced the small -- the size of the definition of small business concern to 100 employees for the purpose of this particular program.

The funding request for all of the following, so eligible uses of the funds, again hearing the appetite of the board last month with respect to restaurants and, and approving those having been in business at least two years, we have carried that over here into the Micro Loan Program. You will notice the, the food trucks, the grills, the -- you know, the curbside pop-ups, we do not add those into detail, leaving the lender to make that discretion as to eligibility, whether their loan policies constitute that as being a restaurant or not.

And so, what you'll notice as we get into these next subsequent sections outside of those required by Treasury, we're, we're starting to give the lender more flexibility to reference their internal credit policy policies to underwrite and structure the loan for the, the terms and the interest rate and make that proposal to present to LEDC for overall loan structure. So, you'll start seeing a lot of reference to, for example, referencing the internal lender's collateral requirements, referencing the lender's internal loan policies to establish the interest rate.

So, just to be consistent with restaurants being eligible in our guarantee program, we carry that over here for Micro. Now, we do have some ineligibles, which are also consistent with the other programs, the bars, saloons, daiquiri shops, gambling, gaming, consumer finance companies, real estate, speculation, pyramid sales. Direct or indirect activities related to cryptocurrency, that is a new one we added to Guarantee, also carried over to here because that's becoming more top of mind and, and relevant. But for this purpose of the program, that's going to be an ineligible business use of funds.

The businesses engaged in activities that are prohibited obviously by federal law, those are still prohibited under this program as well. Also, funding for the principal purpose of refinancing existing debt, that's a consistent prohibition under this program, just as it was under Guarantee also.

Buying out stockholders is also prohibited, as well as reimbursing funds owed to other owners is also deemed prohibited. Funding for paying any person to influence or attempt to influence elected officials, state or local government, also prohibited. Funding for paying costs incurred with connection of defense for a claim against the US government also prohibited. I think that makes perfect sense. And then funding to pay for your back owed taxes is also prohibited. These are all Treasury requirements. You can see them with double blue asterisks.

Moving right over to Section 7509, General Loan Provisions. So, (inaudible) advising other qualifying lenders, they will be guided similar principals that will again allow much more flexibility to their internal -- reflect upon their internal structures to underwrite and propose the terms of the overall loan. But there are some, some common threads, that the lender should not mainly approve loans where there are pending or outstanding claims, judgments with denial or revocation of any necessary license or permit to do business. And terms and conditions imposed on part of any loan authorized by vote of the board, this is also consistent and should not be changed without that subsequent vote or approval of the board.

Loan amounts in the program are intended to be between $1,000, and $100,00. The interest rate here, Treasury does require the maximum interest rate ceiling to coincide with that of the National Credit Union Administration's rate. We also added two features here and recommended through our Guarantee Program and voted on last month by Mr. David, which was to add also the, the ceiling interest rate cap as stated by the Federal Credit Union, and then also any future state legislation that may be enacted and approved.

So, the borrower shall enjoy an interest rate cap, which should be the lesser of either the National Credit Union ceiling, the Federal Credit Union ceiling, or any future state legislation ceiling. But ultimately, the lender will dictate the interest rate based on their internal loan policies.

The borrower's collateral, the value of the borrower's collateral and the amount of collateral will be determined by the lender, and they will reference their internal lender policies to determine that. We are asking, though, that loans that exceed $50,000, that the lender does firm up collateral.

While we recognize there are some CDFIs who, who, and other qualified lenders who may be willing according to their loan policies to underwrite and approve an unsecured request knowing these are intended to be much smaller loans, while the Micro Loan cap has been increased to $100,000, we did add an extra qualifier here. While it's still left up to the lender's discretion of the type of collateral to be required, we're asking that they do indeed require collateral on those larger Micro Loans over $50,000.

**MR. ROY:**

I have a question.

**MS. RANEY:**

Yes.

**MR. ROY:**

(Inaudible).

**MS. GUESS:**

Okay.

**MR. ROY:**

(Inaudible).

**MS. RANEY:**

Okay. Now, Mr. David had recommended adding the Federal Credit Union rate on there in the future, but I'll check to see if there's any additional ceiling caps for, for traditional banks outside to make sure there --

**MR. ROY:**

Yeah. And generally, like if you're

(inaudible) bank would be the OFI's rate and then (inaudible).

**MS. RANEY:**

Kelly Raney speaking. Just to reiterate Mr. AJ Roy's comments that we will look to add additional language about additional interest rate ceiling caps to benefit the borrower and add in Section C -- excuse me, Section 7509, Letter C, Number 1, so that we identify all of the maximum interest rates, that the lender should be bound to apply the lesser interest rate ceiling cap to the borrower or, or should not exceed that interest rate cap. Thank you for that.

**MS. GLOVER:**

Kelly, this is Norisha speaking. Remind me what is the program option that they have if they're not able to demonstrate collateral.

**MS. RANEY:**

So if the borrower does not have collateral -- under the Micro Loan Program?

**MS. GLOVER:**

Uh-huh (affirmative).

**MS. RANEY:**

If the borrower does not have collateral under the Micro Loan Program and they have spoken to a participating lender under this program, if their loan size needs are less $50,000 and it coincides with the selected participating lenders loan policy to accommodate an unsecured request, that would be up to the lender to approve that request. But our rules are structured to allow an unsecure signature loan less than $50,000 under the Micro Loan Program is currently how its written.

**MS. GLOVER:**

And I'm saying if -- so, if the lender does -- I'm just trying to figure out what an option is for, for a prospective client if the lender does require collateral and they don't have it, what is the other LEDC program?

**MS. GUESS:**

There aren't any.

**MS. GLOVER:**

There isn't any.

**MS. GUESS:**

That's correct.

**MS. GLOVER:**

And the example that I'm thinking of is I am a consulting firm, I'm an engineering firm, that I'm asking for the Micro Loan because I want to hire on employees, I believe I'm gonna be able to pay it back with a project that I have and maybe I don't own a home yet, like what else is collateral, or now am I not eligible for this program?

**MS. RANEY:**

If your loan amount is --

**MS. GLOVER:**

Right, $1,000.

**MS. RANEY:**

-- over $50,000 --

**MS. GLOVER:**

There are no other options. There are no other options for me.

**MS. PETE:**

In this potential example you're

proposing, if they start out with a $50,000 loan unsecured, in order to obtain this they would need to have some receivables, or in your example would they not have receivables? Because if they do have receivables, there's an option for a line of credit --

**MS. GLOVER:**

Okay.

**MS. PETE:**

-- based on receivables. So, it would give them an opportunity to grow their working capital. So, the may have to start out with smaller working capital and then expand as time goes on. Now, there is some no credit elsewhere programs, but they have other extensive requirements to --

**MS. GLOVER:**

Non-LED programs.

**MS. PETE:**

Non-LED, correct. Non-LED programs.

**MS. GLOVER:**

That are not collateral?

**MS. PETE:**

Right.

**MS. GLOVER:**

Okay.

**MS. PETE:**

So, there's no credit elsewhere options as well, but those are based on funding by other organizations.

**MS. GUESS:**

And it could very well be depending on if we're talking about a CDFI, if the CDFI is structured as such to allow for a line of credit. In fact, I was talking to a CDFI the other day and they're not set up for a line of credit. However, a line of credit for a small consulting business or an engineering firm that will generate receivables would be eligible under our regular Loan Guarantee Program with those contracts or those receivables serving as the collateral for that business.

**MS. GLOVER:**

Okay.

**MR. JACKSON:**

Is that the sort of thing - this is

Charles --

**MS. GUESS:**

I'm sorry, that was Brenda.

**MR. JACKSON:**

As, as we work on enrolling CDFIs, is that the sort of thing that we would be looking at as far as what their policies and criteria are, or is that something we just find out when they bring us a loan?

**MS. GUESS:**

No. That's going to be --

**MS. RANEY:**

That's going to be during the RFQ process.

**MS. GUESS:**

-- that's going to be during the RFQ process.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

What we're developing --

**MR. JACKSON:**

Would there be any value to, as, as you develop that process, kind of highlighting those sorts of provisions to encourage them to consider something like that?

**MS. GUESS:**

I think that's current. I have not seen --

**MR JACKSON:**

Is that in there?

**MS. GUESS:**

-- a current version.

**MR. JACKSON:**

Because, because somewhere I remember, and it may have been Ann Vela (phonetic), there were supposed to be some collateral support programs that was all tied to this as well, right?

**MS. RANEY:**

So, that's my next --

**MS. GUESS:**

That's the next program.

**MR. JACKSON:**

Right. So, there, there is another program it sounds like?

**MS. GUESS:**

Yes. But they would have to have

some collateral, that's the only -- there, there -- when we get to the Collateral Support, it is just that, a shortfall.

**MR. JACKSON:**

Okay. I, I won't jump the gun again.

**MS. GUESS:**

Yeah.

**MS. RANEY:**

Yes.

**MS. GLOVER:**

But I like the idea of like, what -- this is Norisha. I'm the only female here.

**MS. GUESS:**

No.

**MS. GLOVER:**

Because, again, I mean, I've used consulting or engineering firm, but we hear like during the pandemic so many people started businesses and they're working from home, right? So, I've started a marketing business, I'm doing social media, I'm trying to build up my team, things are coming really well, but like to get me off the ground I need a little bit of help. And I'm working out of my apartment, I don't have collateral. I don't think my car is probably sufficient enough collateral, maybe it is. But I just want to be able to support those, those small start-ups that are doing that.

**MS. PETER:**

Well, you will be able to with this program up to $50,000.

**MS. GLOVER:**

Yeah. And as you said, the line of credit option might be better than --

**MR. JACKSON:**

And if the CDFI doesn't offer it, hopefully we can identify a different one that they could go to.

**MS. GUESS:**

Yeah, all of them aren't the same.

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

And there may be some --

**MR. JACKSON:**

And that's fair, too.

**MS. RANEY**:

And the CDFI might take -- this is Kelly. A CDFI might take the used car with very little equity in it as collateral.

**MR. JACKSON:**

It depends on whether it's fully fueled or not.

**MS. GUESS:**

The amount of gas.

**UNKNOWN SPEAKER:**

(Inaudible)

**MR. JACKSON:**

I'm sorry. That was a social meme recently.

**MR. ROY:**

Question. This is AJ. So, as I read it, there are no restrictions at all on, on the type of collateral, right? So, to Ms. Norisha's standpoint, point, which is a very good one, the bank -- all these banks have different policies, and some might require the bare bones, which might be just receivables or maybe even the vehicle with gasoline. But that -- am I correct?

**MS. RANEY:**

That's true.

**MR. ROY:**

So, we have no restrictions on them?

**MS. GUESS:**

No restrictions.

**MR. ROY:**

Basic limitation of collateral being over $50,000 to $100,000?

**MS. RANEY:**

We actually have two restrictions, and that is we, we, we do not want the borrower to pledge their primary personal residence where they sleep at night, so that is prohibited. And then the only other restriction that we have identified here for collateral is pledging, you know, your own stock ownership in your own company.

**MR. JACKSON:**

And those are SBA standard rules,

aren't they?

**MS. RANEY:**

Well, those are also, yes, rules that we have in our Guarantee Program currently. It is upheld in what was approved last month for, for 2.0., and that's in here, and you'll see again in Collateral Support. Those are the two consistents being collateral exclusions. **MR. JACKSON:**

SBA has excluded those from, from equity considerations all along, too. **MS. RANEY:**

I know the personal residence for sure.

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

And so, with respect to the collateral piece here, again, for the Micro Program, AJ, you are correct that there, there really is no exclusions for what we require other than those two items, the personal residence and then your own stock ownership in the company.

But, but the lender will look at their policy to assess what would be appropriate to secure or request the borrower to pledge to secure that loan.

All right. That was actually the very next section where we were at there. If you'll flip on over, you'll see Number 3, unacceptable collateral includes stock in the applicant company and/or related companies, and then personal residence also excluded. It rolls right into E, Equity, that the equity requirement shall be determined according to the lender's normal loan criteria and policy, letting them drive that decision. We do ask the terms not exceed five years under this Micro Program for any single transaction. Do you have a question?

**MR. ROY:**

Well, I'm, I'm, I'm just thinking it out. And these, these focus points are great. It, it's, -- it is going to be -- we want to reach out (inaudible) and help. But we're leaving it up to the, to the bank, to CDFIs, and others to determine what their -- what that client would be. Of course, it might run the gamut. If a, if a organization or a lender wants to help someone, they might say, we're gonna, we're just gonna -- all of our loans are gonna be receivables or whatever, some --

**MS. GUESS:**

Right.

**MR. ROY:**

-- bare bones sort of collateral. So, just, just keep that in mind because I don't know exactly how it will go, but it's conceivable that the bulk of the loans in the program could be barely collateralized, over 50. So, we have to just be prepared to contend with that because in this case we're gonna run the gamut on what the -- it's going to be up to the lender, obviously, as we said. So, I'm just, just through the process --

**MS. GUESS:**

Yeah.

**MR. ROY:**

-- of how, how the backside of that's gonna play out because if a borrower does not pay, obviously, most of us probably know this, but accounts receivable in my example really is -- you really don't have anything there.

**MS. GUESS:**

Exactly.

**MR. ROY:**

By the time (inaudible) and/or the borrower has actually imploded and the business has failed. So, in that, in that scenario and if enough lenders did that, we'd actually not have any collateral --

**MS. GUESS:**

That's correct.

**MR. ROY:**

-- for the, the bulk of the loans. Now, all this is just hypothetical.

**MR. JACKSON:**

Right. I mean, there's, there's a lot that is pending on the idea that these are mission-driven lenders, but they are lenders that they're, they're in the business and plan to stay in the business, so they're not gonna make absolutely risky lending. I mean, that's, that's the premise.

**MS. GUESS:**
Absolutely.

**MS. RANEY:**
Right.

**MR. ROY:**
So, I, I guess you would, you would want to maybe keep it exactly like it is. You kind of maybe want to monitor what collateral lender is requiring and/or what their loan policy says so that you -- as part of your, your process in approving a lender --

**MS. GUESS:**
Yeah.

**MR. ROY:**
-- because, you know, some lenders might be very liberal, some might be very conservative on how they implement all this, and all that can affect the back-end on, on, on defaults.

**MS. RANEY:**

(Inaudible) RFQ.

**MS. GUESS:**

Yeah. It was still around our offices, because that's exactly where we --

**MS. RANEY:**

You're spot on. We're requesting each of the applicants to submit their loan credit policy. We want to know their historical loan performance. We want to know their default rate. We want to know who is going to be working on this program for their institution, what experience do they have, and all of their key management. We want to know what type of controls they have in place. We want to know their financial strength as well, and how are they funded.

And so, all of those, those documents, all information will have to be reviewed and evaluated by each and every interested applicant lender for this Micro Loan RFQ process, because we do want to be mindful to make sure that the mission is aligned. But we also want to make sure that, that the lender that we select is going to be able to make the type of loans and help the type of businesses that we intend, and we can only do that when we look at their loan policies to see what they do.

**MR. JACKSON:**

I, I think $50,000 is a good breakpoint for that. I, I totally agree with going up to $100,000, because you've got the flexibility. You don't have to. You're only putting half of it at risk and, and all of those sorts of things. But, but by the same token, if you're gonna make a loan that big, it's quite reasonable to have an expectation that there's --

**MS. GUESS:**

There's something.

**MS. GLOVER:**

Some collateral.

**MR. JACKSON:**

-- there's something more there. I

mean, because, because to your point, they can always come back and do several smaller loans as they can demonstrate growth.  There's no need to make a big lump sum --

**MS. GUESS:**

That's correct.

**MR. JACKSON:**

-- loan.

**MS. PETE:**

Yes, sir.

**MR. JACKSON:**

So, I, I think that's a good break point for requiring more.  And maybe, maybe they'll incorporate that.

**MS. GUESS:**

This is Brenda.  The vetting of our, our CDFI partners and our other lenders, and especially when we talk about other economic development organizations, it can't be somebody who decided that they were just going to start lending, like yesterday.  You know, there's got to be some type of --

**UNKNOWN SPEAKER:**

History.

**MS. GUESS:**

-- history. We have to know what exactly -- what kind of sizes of transactions are they familiar and comfortable with, with dealing with. So, that, that, that vetting process is gonna start as soon as we complete the RFQ and get that out, so we're, we're developing it now and it's going for review. So, that's, that's the, the crux of this. It's going to be real important.

**MS. GLOVER:**

Brenda, this is Norisha. And for me, my concern is less about the CDFI that is just coming into the game. It's more about the CDFIs that have been there for, for a while, have figured out the game and are not truly giving out the money or providing the technical assistance that they claim.

**MS. GUESS:**

Well, we -- also built into -- it's gonna be build into the contract with the person, the ones that we're selecting, that will be selected. They're gonna be reporting opportunities for them. They're gonna have to do the --

**MS. RANEY:**

Tracking reporting.

**MS. GLOVER:**

Yeah, track.

**MS. GUESS:**

Tracking, reporting.

**MS. RANEY:**

Quarterly submissions.

**MS. GUESS:**

Quarterly submissions, yearly. And if they're not getting the money out, then there may be some not callback, but what's the word?

**MS. PETE:**

Reallocation.

**MS. GUESS:**

Yeah, reallocation of the dollars that someone may have been originally given. You may lose what you were given if you're not giving it out, because that's not helping.

**MS. GLOVER:**
It's not for the intent.

**MS. GUESS:**
It's not for the intent.

**MR. JACKSON:**
Right.

**MS. GUESS:**
You're not following the mission that you said that you were following when you were selected for the, for the process. So, we're gonna hold -- our feet will be held to the fire --

**MS. PETE:**
Yes.

**MS. GUESS:**
-- by Treasury. And we expect to have everybody's feet held to the fire. It's gonna get hot.

**MS. GLOVER:**
Is it possible -- and I recognize that we have a board meeting tomorrow, so not for tomorrow, but since we have discussed the CDFIs and this process quite a bit, to have a list of like

existing CDFIs and kind of their performance to date?

**MS. RANEY:**

Yes, ma'am. We can get that for you.

**MS. GUESS:**

We'll get it right now.

**MS. GLOVER:**

Oh, dang.

**MR. JACKSON:**

Look at y'all go.

**MS. GLOVER:**

Hey, Jetsons.

**MS. GUESS:**

Yeah, we, we, we -- I don't know about the performance, though.

**MS. GLOVER:**

Right.

**MS. GUESS:**

But this is what we had to, to show if that question came up. So, we're, we're learning, y'all.

**MS. PETE:**

And it did come up at the board meeting.

**MS. GUESS:**

And it came up at the last meeting.

**MS. PETE:**

Somebody asked for it.

**MR. JACKSON:**

Right.

**MS. GUESS:**

Right.

**MR. JACKSON:**

You can kind of anticipate us, huh?

**MS. GUESS:**

Yeah. Yeah.

**MS. GLOVER:**

And I didn't mean for that to derail anything that we're doing right now.

**MS. GUESS:**

Oh, no, no, no. But this is, this is what we started doing when we first determined that --

**MS. RANEY:**

We started this last summer.

**MS. GUESS:**

-- we were gonna include CDFIs, okay, where are they, you know? And we had to -- the list was a lot larger than these 72 that are listed here, because these don't, these don't include those who have housing as part of their mission. So, we didn't want to include that the -- none of our funds could be utilized for, for housing.

**MS. RANEY:**

That's right.

**MS. GUESS:**

This is all for small business lending.

**MS. GLOVER:**

Okay.

**MR. JACKSON:**

You know what strikes me looking at this map is, is the -- it, it doesn't surprise me to see them concentrated in the population centers.

**MS. GUESS:**

Yes.

**MR. JACKSON:**

But what about the other pieces of the state?

**MS. GUESS:**

That don't.

**MR. JACKSON:**

They don't.

**MS. GUESS:**

Well --

**MR. JACKSON:**

Because two-thirds of the state census block, census track qualified. Half the state is not represented on this map.

**UNKNOWN SPEAKER:**

That's true.

**MS. GUESS:**

Absolutely.

**MS. RANEY:**

We're also recognizing that as the other qualified lenders --

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

-- component that, that we would like to have sprinkled through these areas, like Southeast Louisiana where, you know, (inaudible), but it's a great neighborhood. They've got two locations, and it's the only CDFI in that section of the whole state, for example. Maybe there's an interested other qualifying lender that will undergo the RFQ process. And so, in that evaluation process (inaudible) qualification criteria, they may end up being the selected lender to help spread more access in that pocket right there, for example.

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

So, so having this kind of visual is very important.

**MR. JACKSON:**

Because I, I recognize the activity is in those population centers, but the poverty is much more --

**MS. GUESS:**

Is outside of that.

**MR. JACKSON:**

-- diffuse. It's, it's in both.

**MS. RANEY:**

Well, so, just to share with you about, about that, what you'll notice is

-- you're correct. You're absolutely correct. The blue shaded areas behind those blue numbered dots represent, according to Treasury, the CDFI investment areas throughout the state which have several characteristics, the top two main ones being a poverty level of at least 20 percent and/or the unemployment rate being at least one-and-a-half times the national average. And so, that is, is feeding into each of these territories that are shaded blue, in light blue, not, not the same blue as the CDFIs indicated with their circled numbered dots. But that was what we're trying to do is do an overlay on where the CDFIs are located in relation to the Treasury to find CDFI investment areas that are characterized either under that at least 20 percent poverty level and/or 1.5 times the unemployment national average.

**MR. JACKSON:**

But, I mean, you know, I'm, I'm, I'm realistic. There are 25 parishes that have less than 25,000 people a piece in them. I mean, it's, it's a lot of area for few people, but presumably they're -- they've got a banking relationship somewhere, and we want to make sure that we don't ignore them.

**MS. RANEY:**

Like Cameron. Cameron is --

**MS. GUESS:**

Yes, it's not.

**MS. RANEY:**

-- not shaded in --

**MS. GUESS:**

At all.

**MS. RANEY:**

-- in any way, shape, or form, Cameron, Cameron Parish down here.

**MR. ROY:**

And, and to that, to that point - this is AJ - the -- I think the great question is we keep talking about CDFIs and we don't qualify everywhere, where a CDFI -- I know exactly -- it, it wasn't that difficult to become a CDFI way back in the day. I don't know what it is today. I know we have to, we have to submit information annually that shows we made enough loans in certain areas to, to, warrant continuing. But, but there are plenty -- to Mr. Jackson's point, there were plenty financials institutions - and I define that broadly - that are, that are not CDFIs. And we, we should not in any way -- I know you said who can qualify falls on you, too, but we've really got to get our marketing efforts that we want to make sure that we reach out to all financial institutions throughout the state, because they, they, they touch those areas that Mr. Jackson brought up. They, they lend just as easily, and using the same rules in, in many respects that any other bank, credit union might, might use or have to, have to follow. So, I, I think you're probably careful not tipping our hands too much that the focal point needs to be CDFIs, because there are plenty of -- and they fill in all this area that

don't have a little number on it.
(Inaudible)

**MS. RANEY:**

Any other questions or comments related to the CDFI mapping that was just handed out? If none, if it's okay, we'll finish up with the Micro Loans Rules.

**MR. JACKSON:**

Let's do it.

**MS. RANEY:**

We're here on G, which is the, the next page over, LEDC fees. We -- LEDC may charge $100 application fee, unless the board or screening committee or other committee, or LEDC staff waives the application fee, and, and suggesting it automatically be waived for, for SETI, SEV, and very small business types as well.

Now, number three is a provision required of Treasury that does cap out the, the amount of fees that can be charged on, on loan amounts. So, on those smaller loans, $25,000 or less, they do ask to charge no more than $500, and those loans over $25,000 a fee up to 2 percent. Use of funds consistent with what you've seen before in Guarantee, fixed asset purchases, if the building is occupied by multiple tenants, at least 51 percent to be owner occupied, purchase of equipment, inventory, line of credit receivables.

Moving right along, Section 7511, General Agreement Provisions. Under the, the Micro Program Participation Agreement, eligible borrowers of the program, the lenders will identify them, market to them, originate the loans, underwrite the loans, structure the loans. They will be also responsible for the administration, monitoring, invoicing of the loan. Should there be a need for collections or loan workouts or liquidations, the lender will handle that as well. And all of those fine print details will be spelled out in the Participation Agreement.

The lender will also agree to, to

underwrite those loans consistent with SSBCI requirements. The lender will be responsible for providing all of the executed certifications, assurances, and warranties to LEDC, as required by the Treasury guidance. The lender is able to set the rate according to risk, but then we do have the, the interest rate ceiling cap section that we've identified. And I made a note of Mr. AJ's comment to add additional language where interest rate cap support by (inaudible).

And then last, we have here that the lender will define delinquency based on their internal lending policies, and then will also provide notification to LEDC verbally and in writing. That is also consistent with the Guarantee Program. And so, again, since the delinquency will be defined according to the lender's policy, that is something we will be reviewing through the RFQ process when we request that that credit policy, review their performance.

The lender will also be required to provide reporting. We mentioned a little earlier monthly reporting as to just the performance of payment. They will also be required to provide quarterly and annual loan reporting, as well as required by Treasury.

And that brings us to the conclusion of the Micro Loan Program with our last two sections here, Section 7513, Confidentiality, and Section 7515, Conflict of Interest. Any questions comments, concerns about the Micro Loan Program rules?

**MR. JACKSON:**

And this rule is -- Subpart 9 is brand new? These regs that we, that we've just gone through, they're brand new, or they're replacing the existing SSBCI?

**MS. GUESS:**

They're being modified from existing Micro rules that have been in place.

**MR. JACKSON:**

Okay. So, we, we've, we've had a

Micro program in the past --

**MS. GUESS:**

Yes.

**MR. JACKSON:**

-- and we're just --

**MS. GUESS:**

Just no money for it. No money was allocated for it.

**MR. JACKSON:**

Okay. Got it. Got it. Okay.

**MS. RANEY:**

And it was pretty much gutted. You can tell by all the --

**MR. JACKSON:**

Right. But I was seeing history notes and authority notes --

**MS. RANEY:**

Yeah.

**MR. JACKSON:**

-- going back to '97, so I, I wondered is that program dead, is that program subsumed --

**MS. GUESS:**

It's just been on the shelf.

**MR. JACKSON:**

-- is it --

**MS. PETE:**

It's alive.

**MS. GUESS:**

It's just been on the shelf.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

So, we had the bare bones for it, so we just pulled just it off and --

**MR. JACKSON:**

Dusted it off.

**MS. GUESS:**

-- made these modifications.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

This next one that we'll see, of course, the Collateral Support Program, is brand new.

**MR. JACKSON:**

Brand new.

**MS. GUESS:**

There, there was no shelf.

**MR. SIMPSON:**

So, I guess if we will move into that portion.

**MS. RANEY:**

We will move into Collateral Support.

**MR. ROY:**

Quick question. Is there something like -- I think we said last time I had asked if these program could be stacked on top of each other, which is --

**MS. GUESS:**

Oh, yeah.

**MR. ROY:**

-- that's a good conversation about that, making sure you do Collateral Support, do Micro Loan, and the answer is yes, right?

**MS. RANEY:**

That's correct, as long as it's not for the same business purpose, the same expense.

**MR. ROY:**

So, do, do we state that somewhere in here, because I think that's an important piece for the lenders to see how you can do that? Maybe it's, maybe -- I don't know where it should be. Maybe that's a marketing thing. But we might bring that up to marketing.

**MR. JACKSON:**

It might, might be a little addition in each of the sections saying how it interacts with others. I, I think we've kind of alluded to it to the extent that it says it can be used for these expenses. We haven't necessarily said explicitly you can't use these same expenses for another program.

**MS. GLOVER:**

So, I can't say thank you for your Collateral Support, LED, that I need-- for, for employees, and then apply to the next program and say, give me a line of credit for employees?

**MR. JACKSON:**

Right.

**UNKNOWN SPEAKER:**

For the employees at least.

**MS. GLOVER:**

**MR. JACKSON:**
You can, you, you, you can use the Micro Lending under $50,000 --
**MS. GLOVER:**
Right.
**MR. JACKSON:**
-- with no collateral for payroll support --
**MS. GLOVER:**
Right.
**MR. JACKSON:**
-- while you're waiting on your receivables. You've got to go someplace else with Collateral Support, maybe for your building --
**MS. GLOVER:**
Yeah.
**MR. JACKSON:**
-- for the other $50,000, or something like that.
**MR. ROY:**
How much of a change --
**MS. GUESS:**
Yeah, we'll have to look at that one.

**MR. ROY:**

-- I don't know how much of a change it would have to be, if we could change a few words.

**MS. RANEY:**

I'm really wondering what --

**MR. ROY:**

Well, that's a different --

**MS. RANEY:**

I'm really wondering if that may be more appropriate in our marketing and website as opposed to rules.

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

(Inaudible)

**MR. JACKSON:**

Well, I know, I know the IRS has moved in their rule-making toward those illustrative sort of things. I mean, in, in addition to the rule, they'll say, for example or for illustration. And, Ms. Glover, it sounds like you're going to be a perfect person to, to give us some scenario and, and, and test all the programs out to see how they would interact. But, but it -- yeah, it's clearly needed in the marketing materials and --

**MS. GUESS:**

I think so.

**MR. JACKSON:**

-- the training and stuff like that.

**MS. GUESS:**

Absolutely.

**MR. JACKSON:**

But I think there are enough moving pieces.

**MS. GUESS:**

Yes.

**MR. JACKSON:**

You want them to understand that they, they've got multiple tools that can all be used to --

**MS. RANEY:**

And how they can work together and coexist.

**MR. JACKSON:**

-- build a cabinet.

**MS. GUESS:**

Yeah. I think that's the -- that's a very good point, and that should be on that list of things for marketing and on that Collateral Support (inaudible), yeah.

**MR. JACKSON:**

Because, you know, I mean, because bank, bankers are always good at trying to figure stuff out, but if you've got them in a room doing the training on this, you could say, here's an example of just how you can stack stuff, you might throw something out there that they hadn't thought about that, you know -- because if you do ag. lending, you always think about ag. lending. If you do residential lending, you always think about residential. You know, what do they say about if all you've got is a hammer, everything looks like a nail. But, but I think the more you can give examples of how you can really maximize the use of a program, it's gonna help.

**MR. ROY:**

A footnote - this is AJ - the LBA

Banker's Convention, which I know y'all have attended, is in May. You may want to --

**MS. GUESS:**

We'll be there. They've already hit me up.

**MR. JACKSON:**

Before we get into the other program, I did see one place - it's on - -- it's, it's just before Section 7505. It's, it's in that, in that, in that left side column, "Business enterprises certify their own. They're controlled by individuals who've had their access to credit on reasonable terms diminished as comparted," or is that as compared? I think that's just a typo.

**MS. RANEY:**

(Inaudible.)

**MS. GUESS:**

Compared.

**MS. RANEY:**

Yeah. Okay. Thank you. I will check that out.

**MR. JACKSON:**

That's the only one that just jumped out at me. Typos tend to jump out at me, I'm sorry.

**MR. SIMPSON:**

Man, you've got detail.

**MR. JACKSON:**

You know, it's embarrassing sometimes, but it is what it is. You've, you've seen it.

**UNKNOWN SPEAKER:**

That's eagle eye. Another eagle eye.

**MS. RANEY:**

Okay. I'll just make a check real quick.

**MR. JACKSON:**

They just grab me.

**MS. RANEY:**

Okay. I'm gonna double-check because I, I looked at our other set of rules where I've got to get into, because that definition is in here, too. And it's comparted as well, so we're gonna make sure we double-check and then go back on Guarantee and -- just to make sure if it is truly a typo or if that is --

**MR. JACKSON:**

I've just never heard that word.

**MR. SIMPSON:**

That's a word.

**MS. PORTER:**

I think it's compared.

**MS. GUESS:**

It's compared.

**MS. RANEY:**

That T might just need to come out.

**MR. JACKSON:**

Yeah.

**MS. SIMMONS:**

We need a motion to approve what we just talked about or deny it? We need something on the record?

**MS. GUESS:**

Well, we haven't even --

**MR. JACKSON:**

For that, for that rule?

**MS. SIMMONS:**

No.

**MS. GUESS:**

This thing is --

**MS. SIMMONS:**

-- for the Micro Loan Program before we move on.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

Yeah, but they hadn't moved on yet. We haven't got there.  But thank you for reminding us.

**MS. SIMMONS:**

I'm just --

**MS. GUESS:**

She's just doing her job.

**MS. SIMMONS:**

I'm just reminding them.

**MS. GUESS:**

Okay.

**UNKNOWN SPEAKER:**

(Inaudible).

**MS. GLOVER:**

I move to accept the revisions that this committee has submitted for the Economic Development Corporation Subpart 9 states, Small Business Credit

Initiative, SSBCI, and Micro Lending Program. This is Norisha.

**MR. JACKSON:**

Second. This is Charles. Second.

**MR. SIMPSON:**

We have a second. Any opposition? Hearing none, we will move it to the full board tomorrow.

**UNKNOWN SPEAKER:**

All right. Perfect.

**MS. GUESS:**

Another one down.

**MR. JACKSON:**

This, this is a much better format thank trying to handle it in the full board meeting.

**MS. PORTER:**

Correct.

**MR. JACKSON:**

It's just --

**MS. PORTER:**

Yeah, because it's not meant -- this is Robin. Committee business is just not conducive to a board setting.

**MR. JACKSON:**

It really isn't.

**MS. PORTER:**

It's not.

**MR. JACKSON:**

This, this is just a much better way, and it's been much, much more informative and easier to discuss.

**MR. SIMPSON:**

Yes.

**MS. RANEY:**

Well, we will move right over into the Collateral Support Program. This is a brand new program, so you will notice the rules, there's no red lines, because they were all drafted from scratch from a blank piece of paper. So, they're all in black for you as created. But we do have a summary to introduce the program to you before we dive into these program rules.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

Marissa.

**MS. DOIN:**

Thanks, Kelly. Marissa Doin speaking. As Kelly said, this is a brand new program. This one was designed and created based on feedback from stakeholders throughout Louisiana. Through conversations, focus groups, and surveys, the lending community expressed an overwhelming need of a program to support small businesses with a shortfall in collateral.

The staff has modeled this new program based on research and information gathered from SSBCI 1.0 best practices in states with existing Collateral Support Programs, such as Idaho, Kentucky, and the District of Columbia.

So, the Collateral Support Program establishes pledged cash collateral accounts with participating lenders to enhance the collateral coverage for small business owners exhibiting the shortfall in collateral, so that the business may obtain financing on acceptable terms and conditions. The intent of the collateral deposits is to help cover the gap of the collateral shortfall, not to serve as the only source of collateral.

The lending institution performs the loan analysis and can request up to 50 percent of the loan amount, at a maximum amount of $250,000 as additional collateral support. The collateral deposits will be established on an individual loan basis and are available to cover loan losses in the event of default.

Upon loan repayment or reaching maturity, the collateral deposit is returned to LEDC and the account is closed. The funds are then recycled, becoming available for other SSBCI eligible loans. This program will be available for companies with 100 employees or less, at a maximum loan amount of $1 million or less.

So, that was just a brief overview, but I'll hand it over to Kelly to get more into the weeds with the rules.

**MS. RANEY:**

Thank you, Marissa. Kelly Raney speaking. So, with that summary of the Collateral Support Program, Marissa actually condensed the purpose, Section 9101 here on the first page of the Collateral Support Rules. Having said that, I think everybody's well aware the Collateral Support funding is re-authorized through SSBCI from ARPA, consistent with all the other programs.

Any, any questions about the, the purpose of the program being authorized through the funds of SSBCI through ARPA? Again, Section 9101 is simply the purpose of the program. They're, they're not program exclusions and eligibility or ineligibility provisions.

Section 9101 also talks about that the participating lenders - but it was included in Marissa's summary - they will originate and underwrite all of the loans. The LEDC responsibility will be to insure the compliance of these Collateral Support requirements to establish and manage the collateral deposit accounts that are pledged to each of these loans, to promote the program and market the program also, and create awareness to these resources being available.

Moving over to page 2 of the Collateral Support Rules, the definitions here under Section 9103, just frank disclaimer, they're very consistent with what you just reviewed in the Micro Loan Program, but there are some unique terms specific to this program. So, in Section 9103, I, I will draw your attention to those that you have not seen before in the previous rules, such as at the bottom the collateral deposit accounts. That's a new definition to help define what that account will serve toward. It represents the LEDC cash deposit that will be pledged to each of the loans.

On the next page, we've continued to define CSP for collateral program. (Inaudible) Collateral Support application, the Collateral Support -- Collateral analysis form, the Collateral Support claim form.

**MR. JACKSON:**

So, we are literally going to put CDs with the lending institution to cover the collateral shortfall?

**MS. RANEY:**

Yes, sir.

**MS. GUESS:**

Yes.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

So, the thought process is for that business owner who wants to get started and has very finite resources to help themselves to get started, they may have a little bit in their pocket to serve as equity. They may not have enough to serve as all of the collateral requirements that the lender may require. And so, the thought process would be if, if, if the business owner met all of the other loan but was short on that collateral, if it had not been to the SSBCI funds that borrower would not have been eligible to get that loan because of that gap is the collateral shortfall. So, it's to help that business owner to get over the hurdle of the lending requirements.

**MR. JACKSON:**

So, so, is that particular provision or mechanism, is, is that part of the federal requirement, or is that the way we're implementing it? I'm -- help, help me understand, because I'm not a banker, how is a guarantee not as -- well, I know it's not as good as a CD in the bank because it's a CD in the bank, but how is a guarantee for the collateral shortfall not good enough?

**MS. RANEY:**

Well, I think the guarantee may serve different purposes. And so, I think what is important is to note that the type of business, the stage that the business owner is in their business life cycle, it will most likely be different for the use for each of these programs. And so, while the intent for the loan guarantee, that was only program we had historically, so it was kind of a catchall for, for anybody's needs that came to us.

**MR. JACKSON:**

Right.

**MS. RANEY:**

Now that we are afforded these federal dollars to expand that product set, we can fine tune and try and customize, which is the intent to service those needs.

**MR. JACKSON:**

But, but I guess, I guess where I'm going with it, and I'm -- again, I'm just trying to understand, I guess, the process --

**MS. GUESS:**

Okay.

**MR. JACKSON:**

-- or the, the theory behind it. If I had sufficient collateral in my home or in my car with a full tank of gas, or whatever, that there was no shortfall, I would pledge that. I would still have it and, and all of that. Why put money at that institution as opposed to just saying I'm, I'm good for it and I'm backing them up?

**MS. GUESS:**

Okay.

**MS. RANEY:**

Well, if they're --

**MR. JACKSON:**

I'm guessing, Brenda, you've got an answer?

**MS. GUESS:**

Yeah. Yeah. I, I almost want to raise my hand.

**MR. JACKSON:**

Well, I, I could tell, so...

**MS. GUESS:**

Like Kelly said, we're talking about two different transactions. When we only look at the Loan Guarantee Program, you have a customer going to the bank. The bank needs a comfort level in order to mitigate some risks that they are trying to mitigate, for, for redundancy. But there's -- we're trying to help them make a reason, find a reason to make the credit to feel more comfortable. So, the bank may feel more comfortable if there is a, is a guarantor. That's what we're looking at with the, the guarantee. You've got a $100,000 loan, the State says it's going to guarantee 75 percent of it, then you're only at risk 20 percent. But in addition to you having a portion of that loan guaranteed, outside of that there still have been -- there needs to be collateral requirements that the bank has to satisfy, the cust -- the borrower has to satisfy.

**MR. JACKSON:**

Okay.

**MS. RANEY:**

In this case, we're assuming that the, the risk that we will be looking to mitigate in this instance would be one where the borrower has -- the bank is not concerned about guaranteeing or protecting, not losing 100 percent of the loan in the event something goes awry and the, the borrower defaults. But the borrower doesn't have enough collateral in order for them to secure that loan, so they only have --

**MS. GLOVER:**

The shift. It's a shift.

**MS. GUESS:**

Yeah, it's a shift. They only have a certain portion of the required collateral by the banker, and our program will allow the banker to make -- go up to that to meet that entire collateral requirement.

So, you've got two different things working. You've got the guaranteed portion for the loan. And what happens when a loan defaults by the bank, whatever the principal balance is at the time of that default, then LED's guarantee will kick in to pay 75 percent --

**MR. JACKSON:**

Right.

**MS. GUESS:**

-- of whatever that balance was. Okay. And then the bank liquidates the collateral and everybody -- they, they share in the collection of, of that on a pro rata basis. But they still have to -- there are banks that don't need our guarantee. And this could very well be one that they're absolutely satisfied with their customer, with the relationship they have with him or her, the, the business idea, but they can't come up to the one-to-one or whatever the bank's collateral requirements are, so they may only have 50 percent of the collateral required.

**MR. ROY:**

It's a great, it's a great question.

**MS. GUESS:**

It is.

**MR. JACKSON:**

And I, I guess the upside for us is it's federal dollars that LED will be getting some modest interest on.

**MS. GUESS:**

Interest on.

**MR. ROY:**

Well, and, and, let me, let me try to get it -- you know, to tell you the perspective about bankers and answer that question. It's a great question. We've had, we've had the Guarantee Program, a Guarantee Program, not just, you know, what we're talking about now as we know for the three or so, the hallmark of LEDC programs, I guess, in respect. So, bankers are very familiar with the guarantee side. Well, those that are, obviously. And it's -- and guarantees, you know, have a, have a quick connotation definition, every banker (inaudible) investigated at LEDC and all these guys. But you, you normally have to go -- you know you have -- there's always a process to go get it. And that process can be cumbersome somewhat. And, and it, it's not as -- it's not looked at as easily as certainly a CD.

**MR. JACKSON:**

Yes. I guess, I guess you just take the CD and you're good.

**MR. ROY:**

Well, and, and, I mean, in, in the -- if it was a customer CD, there's actually statutes in line to do that. I'm sure we will have some restrictions and we want to be notified, that kind of stuff.

**MS. GUESS:**

Yes.

**MR. ROY:**

But I can see a real advantage that -- there's an, an advantage to the bank, which I'll articulate a little bit more. But that advantage ought to be handed down to the customer, and I'll illustrate. The, the, the, the bank gets a CD. That's the most secure lending you can have. So, the bank knows it can sit in here at the bank, and you can lend it out as a deposit. It -- and so, the bank -- it ought to really help -- it's way more valuable or digestible to the bank than just a pure guarantee because it's right there in the bank. The process of, of obtaining that collateral if you need to in a default should be much easier than it is trying to make good on a guarantee, even though (inaudible)

**MS. GUESS:**

Yeah.

**MR. ROY:**

But, the, the -- what I see as a real advantage to this is -- and we ought to try to -- I don't know how you would script this in, but normally you give a way better interest rate to a borrower who's borrowing and putting up a CD or, or pledged funds. And normally it's, you know, you mark it up two percent of the CD rate.

So, we, we should try to make sure that - you know, I'm assuming you're going to do this - that if we do, that the banker -- that the advantage to the bank flows through to the borrower in terms of an attractive --

**MS. RANEY:**
That initially is passed on (inaudible).

**MR. JACKSON:**
Yeah, I mean, it, it's, it would end up kind of blending because it's only a CD for the shortfall and collateral.

**MR. ROY:**
That's right.

**MR. JACKSON:**
But I see your point now. It's literally money in the bank --

**MR. ROY:**
Right.

**MR. JACKSON:**
-- that they can use for other purposes. Okay. Good.

**MR. ROY:**
I think it can really help. I don't know, you know, if anyone else is doing this, SBA doing anything like this. This will be a really new, attractive sort of program, again, to be distinguished from SBA, LEDC Guarantees, all that kind of stuff. I think it's

gonna be a good thing.

**MS. GUESS:**

We have been --

**MR. JACKSON:**

It's something we need to market.

**MR. ROY:**

Yeah.

**MR. JACKSON:**

Really focus on the marketing, then.

**MS. GUESS:**

We have --

**MS. RANEY:**

We have to be a difference here in the market place --

**MS. GUESS:**

Yeah.

**MS. RANEY:**

-- because of the research --

**MR. JACKSON:**

Okay.

**MS. RANEY:**

-- the surveys --

**MR. JACKSON:**

Okay.

**MS. RANEY:**

-- the polling, the discussions we've had.

**MR. JACKSON:**

Okay. That, that, that makes sense. I, I, I can understand that, you know, as opposed to just 100 percent guarantee. It's, it's a whole lot easier to take the money that's in your bank than it is to say, I'm collected on the IOU. I got you.

**MR. ROY:**

I'll give you a quick example. The bad feel right now is -- involves an SBA (inaudible). And because of the court systems and everything else -- now, this is, you know, big stuff and it's not going to be what, what it is with LEDC. But to go get that SBA guarantee is, is a long road. I mean, they're gonna pay it in the end, but you've got to go down this long, long, long road. You've got to go through foreclosure and all this kind of stuff, which is never fun for anybody. And then on the back end you may get a claim, but it, it's, it's gonna turn out to be months or years later. That, that CD in the bank means psychologically way more to the banker. So, I think this will be very attractive.

**MS. GLOVER:**

I think we're gonna see a shift in our, in our, in our funds.

**MS. GUESS:**

Yeah. And we, we -- this is Brenda. We've been talking internally ever since we -- they first -- I told the staff that we were talking about Collateral Support, you know, in SSBCI 1.0.We just didn't have enough money. We only got $13 million and we had VC and the Loan Guarantee Program. And this is the -- the feedback that we've been getting from bankers and other stakeholders that we've talked to, it's like, oh, this is gonna be a game changer, you know, because there's still -- the -- one of the inherent problems of a small business has been since the beginning of time, or at least as long as I've been doing it, which is probably one in the same, is that there's always been a shortfall of collateral.

**MS. GLOVER:**

Collateral, uh-huh.

**MS. GUESS:**

And the banks can't do a deal if -- and this may be a good, good deal, you know. They -- sometimes we often have to tell, to tell bankers that our guarantee is not collateral. You know, we have to make that distinction that just -- if a loan defaults, you can't just, you know, say, well, we're gonna be -- they're look at our guarantee as collateral. There's --

**MR. JACKSON:**

You've got to liquidate the collateral first.

**MS. GUESS:**

You've got to liquidate the collateral first.

**MR. JACKSON:**

I got you. Okay.

**MS. GUESS:**

But, we pay -- and we've moved on this, we have paid -- we pay in, what, 7 to 14 days, you know, of, of notice of the -- of a default, which is why the banks like to use us.

**MS. GLOVER:**

So --

**MR. ROY:**

So, I assume you're (inaudible) the name of LEDC?

**MS. GUESS:**

Yes.

**MR. ROY:**

So, they can't --

**MS. GUESS:**

They can't go get it.

**MS. GLOVER:**

So --

**MR. JACKSON:**

So, so, I mean, it, it's, it's great for us because, I mean, interest rates are going up.  So, there, there will be a little interest income --

**MS. GUESS:**

Right.

**MR. JACKSON:**
-- coming in on federal money. But yeah. Okay.

**MS. GLOVER:**
How, how much money is going to this, to this pot of money?

**MS. GUESS:**
Is it $14 million?

**MS. RANEY:**
$11.

**MS. GUESS:**
$11, $11 million. And we'll draw it down from Treasury in three different tranches for all of our programs.

**UNKNOWN SPEAKER:**
Okay.

**MR. JACKSON:**
We've chased a rabbit a little bit. Go ahead.

**MS. RANEY:**
All right. Just wrapping up with the, the last bit of the definitions. I want to share a note we identified in, in A of the SETI definition, a potential typo there from comparted changing to

compare. I have that noted as well.

All right. Moving on over to Section 9105, Collateral Support Application Process. Overall, the process here mirrors the small business loan guarantee process, with some exceptions of LEDC providing a cash deposit, obviously, to secure and pledge at the time of the loan transaction, as opposed to a guarantee as in a Small Business Loan Guarantee Program.

A potential borrower would contact the lending institution to see if they're willing to entertain their loan request. They will origin -- the lender will originate, process, and service the loan or line of credit and -- with the prospect of a LEDC cash collateral deposit. The lender will submit a complete application to LEDC for review and approval and acceptance. Upon -- LEDC will collect the executed Treasury lender and borrower assurances and certifications, as required by Treasury. And we also have the public records law statement here under that application process section as well.

Again, almost all of the next steps here in the processing of the Collateral Support application package mirrors what we have seen in the Guarantee Program. The lender will first be approved through a Master Lender Participating Agreement, which will essentially capture all of the terms of the Collateral Support Program, and the lender assurance, and certifications, representations, and warranties, as required by Treasury.

The Collateral Support loan packet will include the borrower's completed application and all related information associated with that application, the credit memoranda, that analysis. If the borrower is a client under small and emerging business category, they will submit their certification. If they're a client understudy, they will self-certify as appropriate under the definitions. And the lender, again, I already mentioned, is to complete the credit memorandum, do the credit analysis, share that with LEDC to review the loan structure, and provide a commitment letter to the borrower as well.

**MR. JACKSON:**

Question --

**MS. RANEY:**

Yes.

**MR. JACKSON:**

-- about the self-certifications. I mean, that -- they are saying they fit and, and they're certifying, I guess to the, to the lender at the time. Is there any issue with somebody trying to fudge on that? Is there an issue where that's verified, or is it you certified it, it's good. Is, is -- I guess I'm saying is there any risks there?

**MS. RANEY:**

Well, so, Treasury is just now coming out with some additional information regarding reporting and this SETI self-certification. And they are going to -- they, Treasury, will provide the certification form to be used for each of these transactions. And of the definitions for SETI, there's, there's four qualifying characteristics. And of those four, three are verifiable based on addresses or driver's license information, or certifications. And so, some of them include if you are a, a woman-owned business; if you are a veteran in business; are you a minority-owned business; are you a disabled business enterprise; are -- is your -- where is your business' physical address to know if it falls within a US Treasury-defined CDFI investment area; what is the physical address of the business owner. If that residence falls within a Treasury-defined CDFI investment area, that also counts. So, there are some documentation components we will collect to support that self-certification as well.

**MR. JACKSON:**

Okay. And, and, and the only reason

I'm, I'm even sensitive to that is the mess that PPP turned out to be, because it was one of those self-certified sorts of things.

**MS. GUESS:**

That's true.

**MR. JACKSON:**

And, and, of course, that was a program all of its own, you know --

**MS. GUESS:**

Absolutely.

**MR. JACKSON:**

-- that went through way too much stuff. But, I mean, there, there was a point at which they said if they certify -- if, if you're self-certified, it's okay. And, of course, it turned out in a bunch of cases it wasn't okay.

**MS. RANEY:**

Well --

**MR. JACKSON:**

So, I, I'm, I'm just trying to understand the risks --

**MS. GUESS:**

Sure.

**MR. JACKSON:**

-- behind that. And --

**MS. RANEY:**

Absolutely.

**MR. JACKSON:**

-- if, if that's a, if that's a federal form that's coming out, then, then we're covered.

**MS. GUESS:**

Right.

**MS. GLOVER:**

This is Norisha. So, two questions related to that as well. Does this mean that y'all would not accept, like the Hudson or woman-owned certifications or whatever that y'all have on your website?

**MS. RANEY:**

They will be eligible to apply under the program.

**MS. GLOVER:**

Okay.

**MS. RANEY:**

In terms of how Treasury has defined SETI, we can actually accept that definition.

**MS. GLOVER:**

Got it. And then, I know that at the federal level there is self-certification. Do you think that people have to go through that online process order to self-certify?

**MS. GUESS:**

We hope not.

**UNKNOWN SPEAKER:**

It told us --

**MS. GLOVER:**

It just uses -- it probably just uses the definitions?

**UNKNOWN SPEAKER:**

(Inaudible)

**MS. GUESS:**

No, that's been -- we, we would -- we asked those questions.

**MS. GLOVER:**

I have not renewed mine because of that. I'm like, it should not be this complicated.

**MS. GUESS:**

Yeah, it is so complicated.

**MS. RANEY:**

They have not told us anything about you need to go online onto a database. I will tell you since I was not around in 1.0, something that I have often been told from those that were around at 1.0 is that Treasury has been known to come back later in the game and make some changes that we'll need to adjust to. So, we will stay fluid as needed, but so far they have not told us anything about it.

**MS. GUESS:**

One of the things that's - this is Brenda -- we have noticed that or we're experiencing is that Treasury releases information in different increments at different times, almost after the fact that you needed it. The week that we were submitting our application to Treasury, let's say that very week -- it was due that Friday. Earlier that week, they gave us three iterations of the leverage tables that we -- that were a part of our application to show how we would make our, our ten to one leverage.

Last week, we got some FAQs, which would have been good to have, but not all of them. It's not a complete list of FAQs. It's only the ones that they have gotten to at this point. So, we have to remain flexible, and we have, we -- early on, that was -- we put together a list of questions when we found out about that steady portion, and we did ask the question about the self-certification, could we use what's already been done?

We've got a, a division that can do certifications, so why not just let them do it? And we posed that question, and we haven't gotten an answer yet. It's almost like, oh, here's Louisiana, they have another question, oh, okay.

**MS. GLOVER:**

And as a person who has self-certified, both at the state level and federal level, I would argue that there's probably something in between, because it is ridiculously easy to certify at the state level. I mean, it, it takes less than five minutes to click, click, click, and then it's there. I don't understand how you can lie to -- lie about the questions, but, I mean, that's just my own conscious. But there's probably something that's in between that would alleviate some concerns.

**MS. GUESS:**

So, we're, we're hopeful that won't be a very hard process.

**MR. JACKSON:**

I mean, I, I, I can understand why bankers wanted all sorts of safety niche from the feds on PPP because, I mean, just tremendous misrepresentations in those self-certifications. And there was confusion over what some of them even meant. But, so -- all right.

**MS. RANEY:**

So, just, just wrapping up, the bottom of -- let's see, page -- Section 9105, once LEDC receives a full application analysis, they will review and make the appropriate recommendation to the appropriate approving body for each loan transaction being requested under the Collateral Support Program.

I'd like to point out that, as I make that statement, when we think about the maximum dollar amount of the Collateral Support being limited to $250,000, that, that would fall under the in-house approval limits and, therefore, you know, in theory, would not require a, a formal LEDC board approval. However, because we anticipate there could be instances where a project or an application may want to come before the board, the board may request a presentation for one of our projects and hear how the process is going. We left that language in the rules to allow that.

All right. Moving right along, we asked that the lender notify us within three to five days by e-mail -- or we'll notify the lender, excuse me, within three to five days of the outcome of that internal review so that we coordinate the reservation of that cash collateral deposit for that lender for their specific loan request that we have just communicated the approval on. We'll hold that cash-approved deposit for roughly 90 days. If the lender is not able to close the loan in 90 days after that time, we will release that approval. The funds will go back into the general bucket to be available for somebody else's loan. If the lender wants to pursue that loan after that 90-day period, they will have to start that loan process over again.

So, at the time of closing under the Collateral Support Program, we will make arrangements with the lender to review our deposit agreement. We also ask the lender to notify us roughly one, one week, five business days, prior to the loan closing so that we can get the deposit agreement prepared and sent for their approval, but also coordinate internally the transfer of cash to be pledged in a deposit account for that borrower's loan transaction.

We will coordinate with the lender to send roughly 50 percent of that approved cash deposit to the lender at the time of the loan closing, or for the loan closing. We are actually going to reserve the other 50 percent of that approved cash amount in a set-aside for that particular borrower. We, we are going to reserve that remainder 50 percent I just spoke about and, and give that to the lender only upon having received a notice of risk of loss.

So, if the borrower becomes delinquent and they are 90 days delinquent, the borrower then -- excuse me, the lender can then notify LEDC about the delinquency and we'll be able to submit their notice of risk of loss requesting that additional cash deposit. **MR. JACKSON:**

So, so we're actually only going to fund 50 percent of the collateral

**MS. RANEY:**

Of the approved cash amount that we are communicating for each loan transaction. At the time of closing, what will actually be pledging in that deposit account is, is half of that cash deposit that has been approved, while the other half is reserved for that lender. And there's a portion of that carved out in a set-aside also in a separate account for that lender transaction.

The reason we're doing that is couple of reasons, mainly because this a quantity agreed cash intensive business. And so, when we think about the loan terms ranging between three to five years under this program, not really interested in having large chunks of cash sit idle for a maximum of five years when there could be a portion that goes to help service another SSBCI borrower for SSBCI purposes. So, that was the thought behind splitting it up.

And I will tell you that this

practice actually came to us from another participating state who is Treasury's poster child for the Collateral Support Program, Idaho. They actually -- this was the sole program they embarked down in 1.0. They did not have that provision, the notice of risk of loss. They gave every dollar up-front and pledged that, but they had to make a modification midstream in their program and add that into their program, splitting the deposit, because of how cash intensive it was and the funds sitting idle, and the demand still coming in the door.

**MR. JACKSON:**

So, so you say that the other 50 percent we're gonna earmark with their name on it in case it's got to be produced, but did I also understand you to say that not, not really because we actually are going to use that to expand the number of loans --

**MS. RANEY:**

So, of that --

**MR. JACKSON:**

-- we could put out?

**MS. RANEY:**

This is Kelly. Of the 50 percent that we are holding back that has been approved for that lender, we're gonna carve out a set-aside of that 50 percent. Roughly 25 percent will be set aside for that lender. And the remaining portion, that other 25 percent of that 50 percent --

**MR. JACKSON:**

Okay. So, so, so really, really there is kind of a guaranteed piece. It's just that we're not gonna --

**MS. GUESS:**

Don't give it to them all at once.

**MR. JACKSON:**

We're, we're gonna give it to them the minute they say it's gone.

**MS. GUESS:**

Right.

**MR. JACKSON:**

So, so it's really almost another loan loss reserve; is that, is that what

I'm understanding?

**MS. GUESS:**

Pretty much.

**MR. JACKSON:**

Because, because now I'm thinking, okay, what kind of reports are we gonna see in our board meetings kind of highlighting this, this program? And that's really almost a, another level off. We've just got to figure out how to value it from the bank.

**MS. RANEY:**

It will be very similar to what you see currently on our accountant's report where you will have a list of loans and then y'all have a dollar amount associated with that, and then you'll have a dollar amount of the, the cash collateral that's represented for each of those loans --

**MR. JACKSON:**

Right.

**MS. RANEY:**

-- just like we do with the guarantees for the Guarantee portfolio.

It'll be very similar as to how the accountant's report is currently structured, but just not looking at it from that guarantee perspective, just from the cash collateral.

**MR. JACKSON:**

It, it seems to me, depending on -- you'd, you'd almost have to look at each loan and decide the loan and that sort of thing, but setting aside half of the, of, of the, of the, of the withhold may be too much. I mean, you, you may be able to keep less than that and get the rest out there working. And I, I don't know exactly. But, again, you're, you're really talking about the risk of loss.

**MS. RANEY:**

That's right.

**MR. JACKSON:**

And, and, and so, you know, assessing that risk of loss is probably not that different from what we do with loans currently, where we've got our guarantees. So, I, I'm not questioning the 25, but I'm, I'm, I am saying, you know, there, there may be some room for you to, to do more.

**MS. GUESS:**

More.

**MS. RANEY:**

You, you very well could be correct. And so, the 25, where that came from, is, is that's our set-aside that we start off on the Guarantee Program. And, and so, we very could maybe enjoy a smaller set-aside in the future, but thinking about loans such as restaurants that we're now willing to entertain that we weren't --

**MR. JACKSON:**

Right.

**MS. RANEY:**

-- before, thinking that we're taking on more risk possibly, so we're thinking maybe our default rate might go up a bit.

**MR. JACKSON:**

I, I, I think you're gonna have to look at, I think you're gonna have to look at, at how the program evolves

**MS. GUESS:**

Right.

**MR. JACKSON:**

-- because it is a new program, but I, I think as you see it rolling out at year two, year three, you may want to --

**MS. GUESS:**

Make some adjustments.

**MR. JACKSON:**

-- make some adjustments because --

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

-- I, I think you could probably expand the pool.

**MS. RANEY:**

I think.

**MR. JACKSON:**

I mean, we've, we have historically been almost too conservative --

**MS. GUESS:**

Basically.

**MR. JACKSON:**

-- you know, in that regard.

**MS. GUESS:**

And one of the things - this is Brenda - we were looking at, too, was trying to figure out how we were gonna achieve that ten to one leverage and also compensate for any shortfalls Kelly said because we're including -- we want to take more risk.

**MR. JACKSON:**

Right.

**MS. GUESS:**

And we could probably do that.  But the beautiful part about this is that even though it's a federal program, they still allow for modifications in what we do.  And it may just necessitate a, a -- I mean, a rule change, a slight rule --

**MS. PORTER:**

Yeah.

**MS. GUESS:**

-- you know, somewhere down the line.

**MR. JACKSON:**

We, do we even have that piece in the rule, or we've just got that we're going to withhold.

**MS. RANEY:**

The set-aside is not --

**MS. GUESS:**

No, the set-aside is not in there. That's the, that's the internal policy.

**MR. JACKSON:**

That's, that's internal. So, so, I mean, I, I think as you see those loans rolling out you'll be -- I mean, because there's nothing that says that you can't stratify what your reserve is based on industries or based on loan size or -- I mean, it gets a little bit more complicated, but it may be worth the effort if it allows you -- it's, it's still spreadsheet math.

**MS. GUESS:**

Right. I think that after our initial maybe year or year-and-a-half we will bring it to our finance committee, and I think that's where set our, our, our, our set-asides. We look -- we'll have some historical data to look at, and so we might be able to, to stretch that, you know, but we're excited about it.

**MS. RANEY:**

All right. Moving right on down to the next section, we get to letter E, Loan Purpose Requirements and Prohibitions. Now, this is where we start seeing more Treasury guidance requirements, so this language is going to look familiar with the double blue asterisks because you did see it in Micro Loan, you saw it in February in Guarantee, and you saw it in January with the Venture Capital Programs.

So, you'll see here that loan proceeds shall be used for an eligible business purpose, and that's defined, but not limited to, startup loan capital procurement, construction, renovations, but cannot be used for past real estate investment purposes. The loan proceeds will not be used to repay those delinquent taxes, repay taxes for trust in escrow, purchase a portion of any, you know, partner's ownership, the borrower is not an executive officer or principal shareholder of a financial institution, member of the immediately family of the executive officer or director of the financial institution, related interested party of any executive officer or director of the immediate family.

And again, just continuing on this same language from Treasury as seen in the other programs, borrower assurance where they will sign that they will not engage in speculative activities, that they will -- the business that earns more than half of its annual revenues from lending activities are prohibited here in the sales. Businesses engaged in activities whether directly or indirectly related to marijuana business, businesses engaged in gambling, where their business earns less than 33 percent from lottery sales. No principal of the borrowing entity shall be convicted of a sex offense. So, those are all consistent with we've just seen before.

Still continuing over, the corporation shall -- now, this goes back to our agency prohibition that we discussed earlier where, you know, the, the incarcerated felon is ineligible. However, those that have been reinstated into society and, and do not have currently any pending criminal records, other than a misdemeanor traffic violation, would be eligible under this program.

We have a few more Treasury requirements.  The language added here, as seen before -- again, this is not a CAP Program, but Treasury required language and loan refinancing is, is ineligible, and again, the sex offender restriction here for Treasury prohibitions.

Last, we talked about the eligible business structure, sole proprietors, corporations, nonprofits would be eligible.  Business purpose, partnerships, LLCs, LLPs.

Moving on to Section 9107, Eligible and Ineligibility for Participation in this Program. Again, eligible business purpose must, must align with that as required by Treasury, startup working capital. Franchise fees can be used for equipment purchase, inventory, construction. The loan is not an, an extension of existing credit or refinancing of any unguaranteed portion of SBA loans. We are asking that there be at least one job creation or retained in this program for each loan submitted.

We move on to eligible business types under the program. And again, nonprofits will be eligible with a defined business purpose. SCBs will be eligible, and we'll ask that they submit their certification if they're applying under that category, same as SETI.

Now we're getting into some of the ineligible business types, which, again, almost mirror identical to that of a small business loan guarantee. You can see here under restaurants we did make that line item 4A consistent with that approved in the guarantee where it does simply spell out those restaurants, girls, cafes, etcetera, that have been in existence at least two years as being eligible, still excluding bars, saloons, daiquiri shop, and all those related under B. Gambling is still prohibited. Speculative lending activities still prohibited. (Inaudible) still prohibited. Any activities engaged in direct or indirect marijuana are still prohibited. And H through M are all, again, those prohibited transactions from Treasury. I don't see any questions, okay, or issues with those. Any funding being cause or occurred in connection with any defense against a claim plan by the US government prohibited. And then the last one's also another Treasury requirement.

Seeing no questions or concerns with that section, moving on to Section 9101, General Lender Provisions. In this particular section, the financial institution, we will review to make sure that the lender has sufficient lender -- lending experience in requesting a Collateral Support from LEDC. This program is open to any Louisiana-based lender to utilize. They do not have to undergo an RFP process to participate in this program, like we mentioned in the (inaudible), like we mentioned in the Micro Loan Program.

We also ask that the corporation, the lender and the corporation not approve any loan or line of credit where the borrower has any pending or outstanding liabilities, claims. Again, incarcerated felons are ineligible, but those that have been reinstated into society and have a current criminal record other than a misdemeanor traffic violation, we're saying that those are eligible.

It is Treasury required for each lender to have a meaningful amount of risk, and they have defined that to be at least 20 percent. We will also, hearing Mr. AJ's comments on the interest rate, while we even have the interest rate ceiling caps, the language identified here in, in letter B will make note of OCINACC interest rates as well for this particular section.

The borrower's collateral will be determined by the lender's loan policies. Now, we do ask that the collateral that the borrower provides, the lender use prudent, acceptable appraisal practices for valuing that lender using their internal loan policies to assess the required collateral to be sufficient in supporting the loan request.

We, we are willing to accept, and I think that will coincide with most lenders, an appraisal not more than 90 days old unless it's the instance of real estate where an appraisal more than 90 days would, would be acceptable.

We have defined acceptable collateral here, which is consistent with that of Guarantee, fixed assets, business real estate. It looks like all business assets, receivables, inventory, personal guarantees may also offered. Accounts receivables, as mentioned earlier, but not to exceed the 80 percent of the receivable value.

Now, under the Collateral Support Program, we have expanded the unacceptable collateral the borrower may pledge beyond the personal primary residence and the stock in the applicant borrower's company. We have added intangibles as being ineligible for collateral, as well as leasehold improvements being ineligible for collateral under this particular program.

**MR. JACKSON:**

Couple, couple of questions.

**MS. RANEY:**

Yes, sir.

**MR. JACKSON:**

What are the acceptable collateral? Help, help me understand when we say acceptable collateral may include personal guarantees, but they will not count toward the value of the collateral? What, what does that mean exactly?

**MS. RANEY:**

The personal guarantee would essentially be provided as an extra security for the loan request, but it carries no weight in determining if the borrower is required to provide $70,000 for a collateral to represent, say 80 percent of the loan request. The personal guarantee based on the individual's net worth, financial wherewithal carries no weight in contributing towards that overall dollar amount required for the collateral total. We even ask that our borrowers --

**MR. JACKSON:**

Would, would, would you, would you consider that that Item C might be better pulled out and made an Item 6? You're talking about collateral. And, and that's really not collateral, but it is something that can be considered. Instead of it being acceptable collateral but it doesn't count, just add it as a, as a --

**MS. GUESS:**

On the second one.

**MR. JACKSON:**

-- as a number six.

**MS. GUESS:**

On number six.

**MR. JACKSON:**

It, it can be offered and considered.

**MS. GUESS:**

Yeah.

**MS. RANEY:**

Okay.

**MS. GUESS:**

A new number six, yeah.

**MR. JACKSON:**

Yeah, a brand new number six.

**MS. GUESS:**

Brand new number six.

**MR. JACKSON:**

Yeah. Just, just to show it, it, it

recognized that it's got some value, but it won't count, because we're talking about collateral.

**MS. GUESS:**

Correct.

**MR. JACKSON:**

And, and the other thing, and I, I, I hesitate to even raise this issue and it, and it may actually -- arguably, it could almost count as an intangible, but we talked earlier about crypto not being the sort of thing that you can borrow for. Do we need to address the acceptability of crypto as collateral?

**MS. GUESS:**

No. We need to put it in here that we won't take it.

**MR. JACKSON:**

I, I don't know. That's, that's what I'm saying. But that's, that's another --

**MS. GUESS:**

That's another one.

**MR. JACKSON:**

-- one of those things.

**UNKNOWN SPEAKER:**

That's, that's a good point because --

**MS. GUESS:**

A good point.

**MS. RANEY:**

-- we did specifically identify it as being an ineligible business --

**MR. JACKSON:**

So, you may want to say it can't be used as collateral.

**MS. GUESS:**

It can't be used as collateral also, yeah.

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

It's a, it's a ineligible type business.

**MR. JACKSON:**

Yeah.  I mean, there, there's an argument to been made it's an intangible, but --

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

-- but you --

**MS. RANEY:**

Well, what I was wondering --

**MR. JACKSON:**

-- may want to spell it out.

**MS. GLOVER:**

Do people's retirement --

**MS. RANEY:**

Yeah, intangibles to include digital currency, cryptocurrency.

**MS. GLOVER:**

Do people's retirement accounts ever count as collateral?

**MS. RANEY:**

I don't -- I think a lot of lenders consider that protected assets and are very cautious about --

**UNKNOWN SPEAKER:**

(Inaudible)

**MS. RANEY:**

-- using that as collateral. I think maybe in some instances you might -- correct me if I'm wrong and it might differ from bank to bank, if you're of the age 71 -- 70 1/2 and able to draw your RMDs, you might be able to use that as a cash injection in, in the overall cash flow analysis.

**MR. JACKSON:**

I mean, you, you can borrow from a 401(k) and --

**MS. GUESS:**

But you can't --

**MR. JACKSON:**

-- you know, use that cash. You could pledge that cash. You've got to pay it back. It's a loan.

**MS. GUESS:**

Right.

**MR. JACKSON:**

But you could borrow. But yeah, generally --

**MS. GLOVER:**

Well, and today I'm just like --

**MS. RANEY:**

But if you're employed --

**MS. GLOVER:**

-- one day my account could say one thing and then tomorrow it could say something else.

**MR. JACKSON:**

It's not where it was last week.

**MS. GLOVER:**

And it's no longer, like that collateral's no longer there.

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

Good question.

**MS. GUESS:**

Good question.

**MR. JACKSON:**

Yeah, but you, you might -- and, and the, the, the crypto as collateral, I don't know if there are other places we need to address that, but that's obviously a hot thing these days.

**MS. BIGNER:**

Also NFTs.

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

NFTs.

**MR. JACKSON:**

Yeah, which are even more intangible than, than crypto.

**MR. ROY:**

Is there (inaudible)?

**MS. RANEY:**

The default provisions will be addressed in the loan participation program.

**MS. SIMMONS:**

Could you please speak up. I couldn't hear your question.

**MR. ROY:**

Sorry. AJ. I was asking whether default provisions for -- she said they were loan participation.

**MS. RANEY:**

That's is correct. This is Kelly. The default provisions for the -- excuse me. I'm, I'm sorry, AJ. The default provisions for the Micro Loan will be in the Loan Participation Agreement. The default provisions for the Collateral Support are in here in the next subsequent sections, correct? We just haven't gotten there.

**UNKNOWN SPEAKER:**

I'm sorry.

**MR. ROY:**

(Inaudible)

**MS. RANEY:**

All right. Good, good questions. Any other questions around unacceptable or acceptable collateral? I've, I've added those comments as well on crypto and NFTs

Moving right through, Equity Requirements. We are asking that the, the lender ultimately make that determination based on their loan policies, but, but that it not be less than ten percent and have defined equity which is consistent with how we have defined it in our Guarantee Program.

Now, we move on to the next section where it does quantify the maximum collateral support offered will be a maximum of, of 50 percent, not to exceed a dollar amount of $250,000 for loans $500,000 or less. When the loan size moves up to $500,001 up to $1 million, the collaterals support offer reduces to 25 percent, also to coincide with a maximum dollar amount of collateral deposit not to exceed $250,000. And the maximum loan amount here under this program will be $1 million.

We do have different terms offered for different credit product types. So, for example, equipment term loans, they may not exceed a term of five years; revolving line of credit is not to exceed a term of three; non revolving line of credit is to not exceed a term of two; for business real estate transactions not exceed a term of five.

For the LEDC fees, again, LEDC may charge $100 application fee, but has the flexibility for a board, board's designated committee or staff to waive that, that application fee. And, again, we are going to abide by the Treasury requirements of no more than 2 percent on the collateralized loan deposit amount, unless the boards, board's designated committee, or staff waives that requirement.

**MR. JACKSON:**

So, realistically, are we gonna to charge fees, or are we not gonna charge fees? I mean, we've got that discretion, but what, what is the department's policy?

**MS. GUESS:**

It is our -- it has been our practice that we haven't charged an application fee.

**MR. JACKSON:**

Okay.

**MS. GUESS:**

The -- we're, we're not -- I think our dollars were not being kept in our own coffers, and that determine, that determination was made years ago when we were being swept by the people across the street --

**MR. JACKSON:**

Right.

**MS. GUESS:**

-- down the street in our -- for, for monies that were in there.

**MR. JACKSON:**

No, I, I recognize --

**MS. GUESS:**

It could --

**MR. JACKSON:**

-- it's a flexibility --

**MS. GUESS:**

It's a flexibility.

**MR. JACKSON:**

-- provision, but what is the department's policy --

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

-- you know?

**MS. GUESS:**

That, that was a policy that we made back in 1.0 because of that. And I don't know, we can set some parameters because this will be part of our income. And this is, this was federal dollars, you know. I don't know. Maybe we might take a look at that with some internal -- some other policies we might come back. We'll, we'll have to think on that one.

**MR. JACKSON:**

It's, it's -- boilerplate is just that until somebody says, well, what about?

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

And so, I'm saying, well, what about?

**MS. GUESS:**

Are we or are we not?

**MR. JACKSON:**

It's just boilerplate, but I'd, I'd like to know what it, what is means in reality.

**MS. GUESS:**

Okay.  Fair question.

**MS. RANEY:**

Use of the loan funds are consistent with what you had seen before in the Loan Guarantee Program where the loan fund should be used for business purposes up to, but not limited to, purchasing of real estate where the buildings are owner occupied with at least 51 percent, equipment, inventory, machinery. The -- it may be eligible for a debt restructure under certain parameters, which are guided by the Treasury provisions here for debt restructure. It needs to meet those four subcategories to qualify as a debt restructure under SSBCI terms.

It does dictate that loan funds may not be used for -- to buy out stockholders' equity. We reiterated that a couple of times throughout. And loan funds may not be used for investments in speculative real estate.

The general agreement provisions, the lender will start by executing a Master Lender Participation Agreement for the Collateral Support Program, which will outline the lender being responsible for the administration and monitoring of the loan, monthly invoicing, collections, loan workouts, liquidation of the, of collateral in the event of default. The lender will underwrite each loan using its loan policies, perform the credit analysis of the borrower on each loan. They'll follow the prudent industry lender underwriting processes and determine the collateral support provided under each instrument in order for the lender to make the loan.

LEDC will determine the amount required for the deposit and coordinate the LEDC collateral deposit account with the lender to make sure that there is sufficient collateral and that the lender is not requesting in excess of collateral because LEDC's cash deposit is available.

The lender shall also -- so, in -- the LEDC deposit account will be in the name of LEDC. It will earn interest in the term that it is pledged for the loan. Upon repayment, that deposit and interest will be returned to LEDC to be used for future SSBCI loans. While that deposit account is held at the lender's institution and pledged to that borrower's account, the lender shall indemnify and hold harmless the LEDC, State of Louisiana, including all commissions, directors, participants, officers, agents, employees, and contractors, who shall not be liable to the lender for any reason arising out of the -- arising out of or related in any way to the loan, loan documents, or the participation against the claim's cost or expenses. And that -- and this language shall survive the loan repayment.

So, there are no implications to LEDC, LEDC members, etcetera, as defined here because of the deposit account being placed in the name of LEDC pledged to that borrower's loan.

The loan that has been accepted by LEDC should not be sold or assigned without the LEDC board providing that final approval.

Now, the lender will follow their normal loan policies for delinquency. They are required to give LEDC notification verbally and in writing. But in the event of default here on number 7, when, when default persists for more than 90 days, the lender may demand from LEDC in writing their, their other 50 percent of that cash collateral deposit. That's, that's putting LEDC on notice of their risk of loss.

Once we receive that notice of risk of loss, LEDC will confirm the current outstanding balance of that loan because theoretically that loan will have had principal and interest payments paid each month so that the current loan balance, the current outstanding loan balance at the time of receiving the notice of risk of loss will be less than what the original loan amount was.

So, so the deposit, the remaining 50 percent of that deposit is gonna be based on that outstanding current balance since the lender will have received principal and interest payments up to that point.

Upon receiving that notice of risk

of loss, LEDC is going to send over that remaining cash deposit on that current outstanding balance within 30 days. The lender will then have the full cash deposit on hand, and then they will proceed in handling collection and liquidation efforts for any additional collateral thereafter. So, all collection efforts, legal liquidation processes, that will all be handled by the lender. If liquidation through foreclosure occurs, that will also be handled through the lender. And they will also absorb all those expenses.

**MR. ROY:**

Are we, are we requiring foreclosure for the loan?

**MS. RANEY:**

Are we requiring foreclosure?

**MR. ROY:**

SBA requires that. (Inaudible) it's -- given the amount of these loans, it actually can be cost prohibitive if it's a small enough loan to foreclose.

**MS. GUESS:**

Uh-huh (affirmative).

**MR. ROY:**

(Inaudible)

**UNKNOWN SPEAKER:**

(Inaudible)

**MS. RANEY:**

That's a good point.

**MS. GUESS:**

Good point, yeah.

**MR. ROY:**

On a little side note, the (inaudible), which says this CD or funds that are pledged cannot be cross-collateralized for any other debt (inaudible).

**MS. RANEY:**

You're absolutely correct.

**MS. GUESS:**

Absolutely, no cross-collateralization.

**MS. RANEY:**

Those are important points. So, we just reviewed what happens in the event of default, but, again, just to reiterate, upon full repayment of the loan or the loan maturing with our deposit, the deposit will be returned to LEDC with the interest. So, for example, once the loan is fully repaid, that deposit comes back to LEDC with the interest. But let's say the loan is being extended or refinanced and our term of the deposit has already matured. We will still enjoy our deposit being returned to us with the interest and the loan -- and then make their loan arrangement or file an extension after that.

So, for each loan transaction, the Collateral Support Loan and Deposit Agreement will, will be executed. And it will take place on or about the time -- the day before, actually. We'll send that over with the collateral, cash collateral, so it'll be available on the day of closing so they can pledge that simultaneously to their loan, because they'll need a deposit account number in order to pledge it to the loan. So, we'll need to know all of those account details, that we'll need to provide the lender with the deposit account and our deposit agreement ahead of the loan closing so they can make those arrangements as they open up the account from the system to generate those new account numbers.

**MR. JACKSON:**

We've got that provision that if they don't get it done within 90 days they have to start over as far as our process. Is that likely to be problematic? Do we need to have the flexibility that we can, can grant them an extension, or do we want them to just start over?

**MS. RANEY:**

Well --

**MR. JACKSON:**

What -- and, and I, I don't -- I'm, I'm just asking. I, I don't feel super strongly one way or the other. I, I know we're, we're earmarking those funds for the 90 days, but, but, I'm, I'm thinking if there's just like something that's gonna get cured in three day's time, do you really want to put them all the way through the process?

**MS. RANEY:**

And, and, and, and that's a great example, if we knew with definity it'll be cured in three day's time. And I think about projects like Hubig's where they have come to us again and again and thinking it was solved and something else unexpected came up. And so, that, that might be best handled on a case-by-case basis. You do make a very good point about that.

Having said that, I, I guess also just to, to point out concern of having, you know, theoretically $250,000, chunks of cash sitting idle, not working for 90-plus days, you know, simultaneously doesn't --

**MR. JACKSON:**

Right.

**MS. RANEY:**

-- sit real well.

**MR. JACKSON:**

No, I, I mean, it's, it's not a cut and dried sort of thing.

**MS. RANEY:**

No.

**MR. JACKSON:**

And, and circumstances can change in 90 day's time.

**MS. RANEY:**

That, that --

**MS. GLOVER:**

Ill, inflation, war.

**MR. JACKSON:**

But I, I always err towards the, towards the side --

**MS. GLOVER:**

Some examples.

**MR. JACKSON:**

-- of having a little bit of flexibility.  But I, I don't know.  I mean, Hubig's is --

**MS. GUESS:**

It's been --

**MR. JACKSON:**

-- a classic example.

**MS. RANEY:**

Well, I mean, that --

**MR. JACKSON:**

I mean, it's been a nagging --

**MS. RANEY:**

It's just been one thing out of their control after another, and that's why that one --

**MR. JACKSON:**

And they make good pies.

**MR. SIMPSON:**

Yeah.

**MR. JACKSON:**

I love their pies.

**MR. SIMPSON:**

We need to do another tour.

**MS. RANEY:**

And I'm wondering, to go back to your, to your point, sir, about that 90 day, it may be if, if we just added - and I'm trying to find it real quick, here we go - 90 -- okay. If an approved Collateral Support loan does not close within 90 calendar days from the point of LEDC approval date, the reservation period will expire and funds will be released to the general program fund to be used for other Collateral Support requests, comma, unless approved by LEDC board. Maybe if we add in some subset such as that to allow for flexibility.

**MS. GUESS:**

Allow for an extension, a one-time extension.

**MS. RANEY:**

In case there is that one-off case where we know for a fact in three days it's gonna be remedied. We don't want to have to require the borrower to start all over again, have their credit report pulled again.

**MR. JACKSON:**

But it -- but, but required by the board implies that the board itself has to do it.

**MS. GLOVER:**

Or, or designate it.

**MR. JACKSON:**

So, yeah.

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

I, I mean, I don't, I don't want to overcomplicate it and, you know --

**MS. GUESS:**

You're okay, because they're gonna -- we're gonna see these internally anyway. So, it would have to be -- I mean, maybe add the language for an extension for either the board or whatever approved by.

**MR. SIMPSON:**

We want to be somewhat user friendly.

**MS. GUESS:**

Yeah, because it might happen. We might get -- say we get a request from -- for someone to get an extension the day before a board meeting.

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

And we could just bring it.

**MR. JACKSON:**

Yeah. I, I'm just thinking of --

**MS. GLOVER:**

Or the day after a board meeting.

**MR. JACKSON:**

-- you know, their --

**MS. GUESS:**

Yeah. And then we do the committee.

**MS. GLOVER:**

Yeah.

**MR. JACKSON:**

Yeah. You, you can, you can, you can come up with any number of scenarios: somebody's due to close and they have a family death or they have a family birth or, you know.

**MS. GLOVER:**

Give me a moment and I'll give y'all a scenario.

**MR. JACKSON:**

Yeah. You know, that, that, that, that might -- you know, it's not a material change, but it just can't be done. And, you know, ultimately it's not like we're gonna run out of money, at least early on in the process where that's gonna be, you know, tied up too long. But, but a one-time, a one-time extension, you know, if you can't get it done, you know, I don't, I don't know. I don't know.

**MS. GUESS:**

Yeah.

**MS. RANEY:**

Well, I think --

**MR. JACKSON:**

I just, just noted that.

**MS. RANEY:**

-- by just adding some additional language like, you know, Brenda just suggested LEDC board or, you know, designated --

**MS. GUESS:**

Or designated.

**MR. JACKSON:**

And, I mean, you --

**MS. GLOVER:**

Because we may be able to move faster.

**MR. JACKSON:**

-- you, you, you guys, AJ, I mean, you, you probably know far better than me how often that's even a problem. It may not be a problem.

**MS. GLOVER:**

It may not be a problem, but I feel like the word that everyone uses these days that I hate is unprecedented. Like every -- I mean, literally someone could come to us as far as maybe on construction or something like that, but fuel costs, like make something skyrocket or --

**MS. GLOVER:**

Well, and I hate to even say this, but --

**MR. ROY:**

put that little language in there and we can --

**MS. GLOVER:**

-- another wave of Covid --

**MR. ROY:**

-- solve it later.

**MS. RANEY:**

-- comes through and --

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

-- knocks everybody out for a period of time.

**MS. GUESS:**

Yeah. We can --

(Reporter's Note: Several inaudible speakers speaking at once.)

**MR. JACKSON:**

It, it, it doesn't hurt to have a deadline. It doesn't hurt to have the flexibility --

**MS. GUESS:**

That's right.

**MR. JACKSON:**

-- to, to cushion it just a little bit.

**MS. GLOVER:**

And why I think the deadline is important - this is Norisha - is because based on what AJ said, in terms of banks who prefer the cash in the bank, and based on the feedback that you've gotten, I think you're gonna have to -- we think that, right, we're gonna have people who are -- who would have typically applied, applied for the Guarantee Program shift over to apply for this program. And then people who would not have applied for the Guarantee Program who are now applying for this program --

**MS. GUESS:**

Yeah.

**MS. GLOVER:**

-- so I think we're gonna have an increase in numbers of people who are applying. And having that timeline will help us, and then we can respond accordingly.

**MR. JACKSON:**

If you see a lot of demand, you can always say no --

**MS. GUESS:**

No, yeah.

**MR. JACKSON:**

-- we, we just, we just can't right now.

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

Come see us in 90 days, you know. But if we, if we don't have a long line --

**MS. GUESS:**

Yeah, we will.

**MR. JACKSON:**

-- you know.

**MS. RANEY:**

We'll add that. So, that's number -- I'll get to it - 9A.

**UNKNOWN SPEAKER:**

Okay.

**MS. RANEY:**

All right. Good suggestion.

**MS. GUESS:**

Very good.

**MS. RANEY:**

Okay. So, going into --

**MR. JACKSON:**

We're done?

**MS. GUESS:**

Almost.

**UNKNOWN SPEAKER:**

I'm sorry.

**MS. RANEY:**

We are nearing the finish line.

**MS. GUESS:**

That's what we just said, we're almost done.

**MS. RANEY:**

This is Kelly. We are nearing the finish line. And so, the -- let me see. Okay. B, so the Loan and Deposit Agreement, we just reviewed that we'll send that to the lender before the month closing so we can have them complete it with the appropriate account numbers at the closing when that's generated from their computer systems, and have that executed and sent back to LEDC with all of the executed loan instruments.

The appropriations cash deposit shall not be greater than 25 percent to 50 percent, depending upon the loan amount. Now, in this number 2 section here, I'd like to notate there's, there's three, three sections in number 2 where I do need to recommend that we remove a few -- a bit of language here to be consistent with the intent of the payment of the program, so bear with me please.

The corporation's cash collateral deposit shall be no greater than 25 percent to 50 percent, depending upon the principal loan amount for qualifying a loan amount, not to exceed $250,000 of the total original principal amount of the loan or line of credit. LEDC's cash collateral deposit shall be pledged be LEDC to provide security for the payment of the agreed percentage of the principal amount of the loan or line of credit, not including interest due thereon or lender fees, period. I'm suggesting that we remove "or cost of collection" because that actually will take place after that LEDC final cash deposit has been sent to the bank after default has been identified.

**MR. SIMPSON:**

I'm good with that.

**MS. RANEY:**

Okay. Thank you.

**MR. JACKSON:**

Or lender fees or and lender fees?

**MS. RANEY:**

So, not including interest due thereon. I'm suggesting we remove "lender fees or cost of collection".

**MR. JACKSON:**

Remove everything from that point?

**MS. RANEY:**

Yes, sir.

**MR. JACKSON:**

Yeah.

**MS. RANEY:**

Semicolon, but as payments are made on the loan or line of credit -- excuse me, that needs to be removed as well. So, let me recap. LEDC's cash for collateral deposit shall be pledged by LEDC to provide security for the payment of the agreed percentage of the principal amount of the loan or line of credit, not including interest due thereon, period, not semicolon. Again, removing "lender fees or cost of collection, but as payments are made on the loan or line of credit, funds resulting from collection efforts, legal proceedings, or sale of borrower's collateral as applied to the loan or line of credit, and the principal amount owned -- owed on the obligation is thereby reduced." So, what I am suggesting is that this language is inconsistent with the payment of the remaining 50 percent cash deposits.

**MS. GUESS:**

So, it's not needed.

**MS. RANEY:**

That's correct.

**MS. GUESS:**

So, we're going back to where funds -- starting at "funds resulting"? Where are we deleting from?

**MS. GLOVER:**

Line 5, after the word "thereon".

**MS. GUESS:**

Thereon, okay.

**MS. RANEY:**

Thereon, yes.

**MS. GUESS:**

Everything after that?

**MS. RANEY:**

Yeah.  And then where it starts with "lender fees".

**MS. GUESS:**

Okay.

**MS. RANEY:**

I'm just trying to find it here real quick.  Okay.  In this same paragraph -- wait.  That seems like a run-on sentence there.  So, the cash collateral deposit amount owed on the obligation is thereby reduced.  The security provided by the cash collateral deposit shall be likewise reduced and limited to no more than 25 or 50 percent, depending upon the principle of the loan, of the unpaid principle balance remaining due, not including interest due on the loan, period.  "Fees or collection cost" needs to be removed at that point.

**MS. GLOVER:**

Okay.

**MS. GUESS:**

Got it.

**MR. JACKSON:**

Now, loans made under this program will not come with a guarantee?

**MS. GUESS:**

Correct.

**MR. JACKSON:**

That would be under a completely separate program?

**MS. RANEY:**

That's correct. That would -- they would need to apply under --

**MR. JACKSON:**

So, so, help me understand, I, I think I'm missing a connection, the 20 percent exposure that the lender has to have. If we're providing collateral support up to 50 percent, where's the other 30 percent?

**UNKNOWN SPEAKER:**

That will leave them 50 percent at risk. Since we're -- we are providing 50 percent. So, if a loan were to default, then the lender would have to pick up the remainder 50 percent. So, they would still be 50 -- at most 50 percent at risk.

**MR. JACKSON:**

Okay. So, so the at risk position of at least 20 percent, how does that -- where -- how do, how do we get to that? What, what causes -- what would cause it to get below 50 percent, then?

**MS. DOIN:**

It would. It would. Don't have to worry about getting --

**MR. JACKSON:**

So, why, why do we have that provision?

**MS. DOIN:**

That's just primary language just to make sure it's at least 20 percent.

**MR. JACKSON:**

Oh, okay.

**MS. DOIN:**

It wasn't asterisks.

**MS. RANEY:**

So that, so that last intention had (inaudible) --

**MR. JACKSON:**

I'm sorry.

(Reporter's Note: Several inaudible speakers at once.)

**MR. JACKSON:**

Fair enough. Fair enough.

**MS. RANEY:**

Yeah. But we should have a double blue asterisk in that last sentence, you're correct.

**MS. GUESS:**

Another double asterisk, yes.

**MR. JACKSON:**

So, so, is it the intent of item 3 on there that every year, assuming you've got an amortizing loan, every year you're going to reduce the amount of the CD at the bank?

**MS. RANEY:**

I don't, I don't think that that is -- I think the language is in here to allow that flexibility on those larger transactions. And for some reason we needed to do that, but I don't believe that it's feasible to, to have the lender break the CD and reduce the amount to send back to us to stay in line with the outstanding balance of the loan.

**MR. JACKSON:**

Are you going to -- do you envision, then, booking your CD for the term of the loan?

**MS. RANEY:**

Well, it --

**MR. JACKSON:**

What, what are the mechanics of that because it, it cuts both ways?

**MS. GUESS:**

It does.

**MS. RANEY:**

It does.  And that actually goes back to support, giving the lender half of the cash because of that.

**MR. JACKSON:**

Uh-huh (affirmative).  Okay.  Well, again, that's something you can, you can tweak, and that's kind of an administrative sort of thing if you've got that flexibility.

**MS. GUESS:**

Kind of figure it out.

**MR. JACKSON:**

Probably get a better rate if you book for longer, but --

**MS. GUESS:**

Right.

**MR. JACKSON:**

-- you know, you, you actually get your money reduced and can put it back into the program quicker if you've got a mechanism where you do it for an annual term and --

**MS. GUESS:**

And just --

**MR. JACKSON:**

And just when it, when it renews, you just book it for that much less. It's -- it depends on how desperately you're trying to get to that ten to one leverage --

**MS. GUESS:**

Exactly.

**MR. JACKSON:**

-- but that's, that's another flexibility point.

**MS. GUESS:**

Absolutely. Good point. We'll cover that with our fiscal department because they're gonna be the ones that are actually placing the, the deposits.

**MR. JACKSON:**

Right.

**MS. GUESS:**

They'll have all the, the work.

**MR. JACKSON:**

Well, I mean, it --

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

It, it could be quite the --

**MS. GUESS:**

It is.

**MR. JACKSON:**

-- ordeal --

**MS. GUESS:**

I know.

**MR. JACKSON:**

-- if you, if you end up with 100, 150 loans over the course of three or four years. It wouldn't take much for that to be a real Treasury bugaboo.

**MS. RANEY:**

A great segue to Treasury reporting for progress will be adhered to also under the Collateral Support Program, which which rounds out the remainder of the collateral support rules. Treasury has not identified all of the reporting requirements, other than saying there is monthly, quarterly, semi-annual, and annual reporting requirements. And, and we're gonna hold the participants, program participants to that same standard as well.

Last couple of items is just the confidentiality and conflict of interest statement here, as you saw before. And I just -- I see a new section here --

**MS. GUESS:**

Guidelines.

**MS. RANEY:**

-- 9117, Guidelines. That was not in our Micro Program (inaudible) about that. LEDC and LED also known -- LEDC, or Louisiana Department of Economic Development, also known as LED, as administrators of the program, they may create or issue from time to time guidelines interpreting, construing, and explaining these rules or may revise them or otherwise change or modify the guidelines from time to time (inaudible).

**MR. SIMPSON:**

Do we need a motion?

**MR. JACKSON:**

I'll make the motion that we adopt the, the proposed regulations for Title 19 as, as adjusted.

**MR. SIMPSON:**

Do I hear a second?

**MR. JACKSON:**

Well, well, with pending adjustments.

**MR. SIMPSON:**

Do I get a second?

**MS. GLOVER:**

Second.

**MR. SIMPSON:**

Having a second, any nay? Hearing none, we will present this to the full board in the morning for full approval. I do want to commend staff on their in-depth knowledge of all of this. I'm thoroughly impressed with, with all y'all have done. And great questions from my policy cohorts.

**MS. RANEY:**

Thank you.

**MR. SIMPSON:**

I don't know, do we have any further discussion that needs to be made on it?

**MS. GUESS:**

The only one thing is you're not gonna be there tomorrow.

**MR. SIMPSON:**

Right.

**MS. GUESS:**

So, I was just -- and so, I was just asking Robin do we need him to designate?

**MS. PORTER:**

Yes.

**MS. GUESS:**

Yes. We need you to designate --

**MR. SIMPSON:**

I would like --

**MS. GUESS:**

-- Mr. Jackson.

**MR. SIMPSON:**

-- to designate Mr. Jackson as my proxy or my -- in my place tomorrow in my absence, if you accept.

**MS. GUESS:**

He'll give --

**MR. JACKSON:**

Sure.

**MS. GUESS:**

-- the report.

**MR. SIMPSON:**

He'll give the report. Any further comments, suggestions, anything?

**MS. GUESS:**

I want to thank all of you for your diligence in going through with this and providing us with invaluable feedback that we'll take (inaudible). And it's -- we've come a long way. We're all excited about this. (Inaudible.) We'll be ready with our rules.

**MR. ROY:**

I know you all will. Y'all have done a lot of work on this.

**MR. JACKSON:**

For purposes of the report tomorrow, pretty high level I would think. Are we going -- we're not likely to have a corrected copy to distribute for people, is that?

**MS. GUESS:**

We had that discussion earlier.

**MS. RANEY:**

We did.

**MS. GUESS:**

I don't think.

**MR. JACKSON:**

Because, because we, we did talk about several changes --

**MS. GUESS:**

Yes.

**MR. JACKSON:**

-- and everything. So, I mean, I can, I can kind of give a brief overview, but as far as something formal for them to see that reflects what we've come up with, we're not likely to have that?

**MS. GUESS:**

There's a possibility that we --

**UNKNOWN SPEAKER:**

You're asking for it at midnight.

**MR. SIMPSON:**

It might be good to have that map.

**MS. GUESS:**

Mr. Andy Adler will have --

**MR. JACKSON:**

He's the only other one?

**MS. GUESS:**

Yeah.

**MR. JACKSON:**

Okay. So, we will still have quorum, though.

**MS. GUESS:**

Yes. Deputy Security Brad Lambert's sitting in for the Secretary.

**MR. JACKSON:**

And then AJ, Norisha, myself, that's enough?

**MS. GUESS:**

And --

**MR. JACKSON:**

And I guess Ann?

**MS. GUESS:**

Yes.

**UNKNOWN SPEAKER:**

And Andy Adler.

**MS. GUESS:**

Ann doesn't count.

**MR. JACKSON:**

Ann doesn't count. All right. So, are we --

**MS. GUESS:**

So, it'll be one, two --

**MR. ROY:**

So, you know, I'm just suggesting, I assume you, you (inaudible). Tomorrow, we maybe you can make a motion to approve it for changes in policy.

**MR. JACKSON:**

That are -- yeah, that are in the process.

**MR. ROY:**

Mr. Adler is the only one --

**MS. GUESS:**

Right.

**MR. ROY:**

-- who might have a question who's (inaudible.)

**MR. JACKSON:**

Yeah.

**MS. GUESS:**

And what we can do is as we add those, incorporate those changes into (inaudible) and incorporate all the things that we've done, we can get that to, to the board members.

**MR. JACKSON:**

Well, Andy's the only other one that's, that's gonna be there. It's really not that big of a deal. But I just -- because we don't want to rehash it.

**MS. GUESS:**

No.

**MR. ROY:**

No, not what we did today.

**MR. JACKSON:**

Right.

**MR. ROY:**

So, we -- hopefully, we can just make a motion. If Mr. Adler questions, we will address those.

**MS. GUESS:**

Okay.

**MR. ROY:**

And we ought to go through.

**MS GUESS:**

Sounds like a plan.

**MS RANEY:**

And we can hopefully have a copy for everybody to have of the (inaudible).

**MR. JACKSON:**

Yeah. Yeah.

**MR. SIMPSON:**

Okay.

**MS. GLOVER:**

If we could (Inaudible) brief.

**MR. JACKSON:**

Yeah. Yeah. Well, this is the way to handle that.

**MS. GUESS:**

Yes.

**MR. JACKSON:**

I mean, I mean, it's, it's just a better format. It was very helpful.

**MS. RANEY:**

And it is a lot of information to digest when you're, you're just getting it as opposed to probably having to digest it for --

**MR. JACKSON:**

Right. Right. Well, I, I appreciate it. It, it was very helpful.

**MR. SIMPSON:**

I guess we adjourn the policy committee meeting. And thank you all for all your help--

**MS. RANEY:**

Thank you.

**MS. GUESS:**

Thank you, sir.

(The meeting adjourned at 3:37 p.m.)

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# R E P O R T E R ' S   P A G E

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